by the counterpart agency. The expertise, long experience and competent staff of the CAB could be of great benefit to this Commission. Similarly, this Commission could materially assist the CAB with its need for local information, surveillance and general local contact.

INTRODUCTORY NOTE

The foregoing summary delineates those matters upon which the Commission takes a position at this time. The body of this Position Paper elaborates on the points raised in the summary. It provides in greater specificity some of the more important reasons for stressing those points, and it develops in greater depth some rather compelling considerations involving jurisdiction and cooperation between the CAB and the ATC.

Submitted also are a number of exhibits in three separate series groups. The "100" series is composed of ATC requested or prepared exhibits presented primarily in an informational context. The "200" series contains published economic studies relating to the economy of individual communities or areas. The "300" series consists of statements, etc., pertaining primarily to sufficiency and standard of service.

So as not to unnecessarily burden this proceeding with repetitious evidence pertaining to sufficiency and standard of service, the Commission determined to present rather extensively the views of a single community as representative of prevailing views throughout the State. This approach presupposes, of course, that a substantial identity of view exists among people throughout the State as to compatibility of evidence. Indeed, after an extensive survey, the Commission found that such an identity or view does exist to a substantial degree.

The rather extensive written expressions received from the Bethel area (Exhibits ATC-300-312) are accordingly submitted as representative of views not only throughout the Wien Consolidated route system, but (to a slightly lesser degree) throughout Alaska Airlines' system as well. 1/

These expressions from Bethel form a major part of the ATC-300 series; the remainder of that series consists of a few typical written expressions from various other communities throughout the State. The Common elements in all these expressions will easily be noted.

1/ Views of the people of Anchorage and Fairbanks and their immediate environs were not surveyed and have not been considered in arriving at these conclusions.

The official position of this Commission is expressed in this Paper and comparison of that position with the community expressions in the ATC-300 series will indicate substantial identity of view. In fact, this Paper will refer hereafter to some of those exhibits as supporting basis for various aspects of the Commission's position. The Commission does not necessarily concur in all of the community and individual views expressed in the ATC-200 and 300 series of exhibits.

THE ALASKA TRANSPORTATION COMMISSION, REGULATORY ARM OF THE STATE

The Alaska Transportation Commission was created as a separate and distinct State regulatory agency in 1966 (Chapter 139 SLA 1966, establishing Chapter AS 42.07). Prior to that time, the Alaska Air Commerce Act of 1960 was administered by the Alaska Public Service Commission. The ATC was substantially reorganized by Chapter 104 SLA 1969 in which a three-man Commission was provided in place of the previous two-man Commission.

The Commission is responsible for the administration and enforcement of the Alaska Air Commerce Act of 1960. As a general proposition, that Act provides for the regulation of air commerce within the State of Alaska in the public interest.

Three general classifications of air carrier are established by the State Air Commerce Act. They are the scheduled carrier, air taxi carrier, and the contract carrier. The Alaska law provides that for a carrier to engage in intrastate air commerce within the State, it must first be certificated by the Alaska Transportation Commission within one of these three general classifications.

In addition to certification, the Commission also regulates in varying degrees (depending upon the classification) the routes, rates, tariffs, safety of operations of aircraft, base of operations, etc., of intrastate air carriers.

The Commission also has the authority to grant exemptions to the certification requirements under specified conditions and for a limited period of time. In all cases, applications for new or revised authority must meet public convenience and necessity tests.

MORE THAN 75 PERCENT OF TOTAL PASSENGER TRAFFIC CARRIED BY CAB CARRIERS BETWEEN ALASKAN POINTS IS INTRASTATE -- THE SUBJECT OF STATE REGULATION

A review of the informational responses of Alaska Airlines and Wien Consolidated Airlines discloses that the vast majority of passengers carried between Alaskan points by CAB carriers is actually moving in intrastate commerce only.

Wien's Exhibit (WC-IR-201) containing O & D information for the month of October, 1969, shows that slightly over 90 percent of all of Wien's passenger load (including on-line and inter-line traffic) was intrastate only. And, if the number of interstate passengers who did not move intrastate beyond the points of entry into Alaska (other than between Juneau and Fairbanks) is subtracted, it can be seen that approximately 96 percent of the passenger movement over Wien's intrastate interior system was in no way involved in interstate commerce.

Similar information is not so easily developed for Alaska Airlines. However, a close examination of the Southeast Alaska network of Alaska Airlines reveals that at least as to that part of its system, the vast majority of the passenger movement between Southeast Alaska communities is strictly intrastate.

With some exceptions, Alaska Airlines did not disclose October, 1969, O & D information for most of its Southeast Alaska bush route system. However, from the information that was provided as well as other information available to this Commission including special O & D information requested by this Commission of Southeast Alaska air taxi subcontractors and other operators, it appears that over 90 percent of the scheduled inter-community passenger movement in Southeast Alaska in October, 1969, was intrastate.

Summer tourist traffic substantially increases the volume of interstate passengers moving between Alaskan points both in the Southeast Alaska system of Alaska Airlines and over the system of Wien Consolidated Airlines. The air tours offered by tour operators and the airlines bring a substantial influx of visitors to the State. The through-intrastate movement of these tourists, however, is generally limited to only the very few points covered in the tours.

It is also true that the summer movement of purely intrastate passengers increases very substantially. It can be seen, for example, in Exhibit ATC-105 that the Third Quarter Air Taxi passenger movement is more than twice that of the Second and Fourth Quarters, and more than three times that of the First Quarter. O & D information submitted by the carriers (to the extent that it can be so broken down) also indicates a much larger intrastate movement in the summer.

Thus the ratio of intrastate to interstate passenger traffic in the summer would probably be not less than 70 percent for the route systems discussed above.

ALL INTRA-ALASKA ROUTES REGULATED BY THE CAB REFLECT A MAJOR CAB-ATC JURISDICTIONAL OVERLAP

In most respects, the responsibilities and objectives of the Alaska Transportation Commission in intrastate air commerce matters are similar to those of the CAB in interstate air commerce matters.

Due to the long-standing and intimate involvement of the CAB in Alaska's air commerce, it would be impossible to draw a fine line between the jurisdiction of the CAB and the jurisdiction of this Commission. This ALASKA SERVICE INVESTIGATION itself epitomizes the jurisdictional overlap in integration of federal and state regulatory practices and policies.

Excluding the Seattle/Portland gateway services, virtually all point to point service and routes being considered in this proceeding are intrastate in nature. With respect to much of this service, interstate commerce is incidental or insignificant compared with intrastate service requirements. It is estimated that carriers regulated primarily by the CAB provide in excess of 95 percent of the scheduled intrastate air service within Alaska. This appears to be a most unusual situation, as well as one of questionable validity, if the CAB jurisdiction is exercised unilaterally.

It follows that in Alaska where air transportation is one of the most important transportation modes and a basic necessity to the entire economy of the State, it is essential that the State exercise major, if not primary, regulatory jurisdiction.

EXCLUSIVE CAB REGULATION OF SPECIFIC INTRASTATE AIR ROUTES AND CARRIERS HAS PROVEN TO BE NON-RESPONSIVE TO THE NEEDS OF LARGE SEGMENTS OF THE STATE

The matter of the exercise of so broad a jurisdiction by the CAB over intrastate routes is not in and of itself the major problem. What is unfortunate, however, is the unresponsiveness of this arrangement to the needs and complaints of the people who are presumably being served. It appears that the remoteness of the CAB from the area of operations of its regulated carriers substantially influences the objectives of the CAB in its regulatory policy as applied to intra-Alaskan services. This remoteness tends to insulate the CAB from operational and service matters (other than those which may be called to its attention by the carriers), the result being that the Board primarily concerns itself about only those problems, such as subsidy payments, which are its direct and exclusive responsibility. It appears that with respect to Alaskan carriers the overriding objective of the CAB is, and has for some time been, the elimination of subsidies with all possible dispatch.

There is little doubt that this primary objective is being achieved. However, it is also quite apparent to anyone familiar with Alaskan air transportation services that this primary objective is being achieved at great sacrifice in public service.

The CAB cannot be totally unaware of the vast deterioration in intra-Alaska air service over the past three or four years. But, it seems certain that the Board does not fully recognize or appreciate the magnitude and implications of these conditions.

THE DOMINANT OBJECTIVE IN THIS PROCEEDING -- REASONABLE ADEQUACY AND PERFORMANCE OF CARRIER SERVICE; THE APPROACH TO ACHIEVING THAT OBJECTIVE -- JOINT INVESTIGATION AND REGULATION

The instigation of the ALASKA SERVICE INVESTIGATION is unquestionably an important and commendable undertaking by the CAB. However, the issues which have been delineated by the Board reflect a continuing and virtually exclusive preoccupation with the subsidy issue and a most unfortunate lack of appreciation for the standards and adequacy of service.

It is the position of this Commission, however, that the adequacy and standards of service dominate as issues and the Board should and must consider them in this proceeding. Assuming the accuracy of this contention, it becomes at once apparent that

there are major deficiencies in the procedures adopted by the CAB in this Service Investigation.

We call the Board's attention to the provisions of the Federal Aviation Act of 1958 (49 USC 1324), titled Cooperation With State Aeronautical Agencies:

> "(b) The Board is empowered to confer with or to hold joint hearings with any State aeronautical agency, or other State agency, in connection with any matter arising under this chapter within its jurisdiction, and to avail itself of the cooperation, services, records, and facilities of such State agencies as fully as may be practicable in the administration and the enforcement of this chapter."

We cannot conceive of a more appropriate occasion for the Board to have implemented the above quoted statute than the instant proceeding. The fact that it did not do so strongly suggests that the Board considered this Service Investigation to be little more than a fairly routine route proceeding. And, perhaps having little more to go on than the carriers' side of the story, the Board could justify that conclusion. However, even if it were routine, the fact that so great a proportion of the routes under investigation are primarily intrastate in nature, should have been sufficient for the Board to have proposed a joint board proceeding. It is elementary that the role of this Commission as simply a party in this proceeding effectively precludes participation by the State in the decisions affecting nearly all scheduled service in intrastate air commerce.

The Commission recognizes that the CAB has not specifically made an issue of the bush route services to those communities listed in Appendix C, but not shown in Appendices A and B, of CAB Order 69-3-68. Nor has the CAB determined to take up the issue of the relative jurisdiction of the CAB and this Commission. However, these issues are necessarily an integral part of this proceeding and, as previously stated, the issue of adequacy and standards of service over the bush route segments of the CAB carriers' authority is one of the dominant issues to be considered. It can be seen that these issues are interrelated. The exclusive regulatory jurisdiction heretofore exercised by the CAB over the Alaska routes has not resulted in reasonably satisfactory or adequate service to most of the communities in the State.

Additionally, the broad assumption of regulatory jurisdiction on an exclusive basis by the CAB seriously subverts effective local regulation. It encourages CAB regulated carriers to avoid state regulation and to look only to the CAB for route changes, tariff changes, etc. (See, for example, Exhibit ATC 104). The State seldom receives timely notice of such requests.

HEARING PROCEDURES ADOPTED BY THE CAB IN THIS INVESTIGATION PRECLUDE AN ADEQUATE EVIDENTIARY RECORD ON DOMINANT ISSUES --- ATC PUBLIC HEARINGS MAY PARTIALLY REMEDY THIS PROBLEM

In a proceeding such as this ALASKA SERVICE INVESTIGATION, where historical carrier performance is a matter of major significance, it is imperative that the consumer public be liberally afforded an opportunity to speak its piece.

Unfortunately, the restriction to a formal hearing process sans less formal public participation effectively thwarts this objective. It is well known that a good cross section of public opinion cannot be obtained in a matter of this sort without holding public, forum-type hearings.

To partially remedy the public participation problem, this Commission belatedly requested and was granted (with concurrence of all other parties) an extension of time in which to conduct open public hearings on its own and outside the CAB record.

During the latter part of February and early March, 1969, the ATC held open, public, forum-type hearings throughout the State and made numerous personal contacts with people throughout the State for the purpose of determining (1) the major concerns and views of the community in regard to air transportation and (2) the manner in which the people of this State may be better served in air commerce.

Hearings were held at the following places: Barrow, Kotzebue, Nome, Unalakleet, Andreafski (St. Mary's), Bethel, Dillingham, King Salmon, Kodiak, Kenai, Cordova, Valdez, Tok, Fort Yukon, Haines, Sitka, Juneau, Petersburg, Wrangell, and Ketchikan. Each of these hearings was conducted by one or more of the three Commissioners. The time, place and nature of these hearings was noticed in advance by public media and individual correspondence although notice was necessarily very short. There were in attendance from a handful to

forty or more people at each hearing. Anyone who desired to speak was permitted to do so. All testimony was recorded and most of these recordings were subsequently reviewed by the Commissioners. Portions thereof were transcribed for further, more detailed review.

People attending these hearings were encouraged to submit their views in writing and a fair representation did so.

Based upon these hearings, letters and numerous other contacts with people throughout the State, the Commission has determined that there are major and inexcusable deficiencies in the service provided by those CAB carriers serving intra-Alaska routes. This is poignantly clear in the so-called bush route areas. Such matters as extreme delays in mail and freight deliveries; inexcusable schedule delays or cancellations; inability to have claims and refunds settled within several months of filing; frequent and unannounced schedule changes; untrained personnel; discriminatory rates and improper charges; commonplace misinformation on flight arrivals and departures; frequent frustration in attempting to make interline connections; substantial failure to meet published departure and arrival times; inability of local people to obtain space on flights to and from tourist centers because all seats booked solid for several days at a time by tour passengers; the frequent unavailability of scheduled flights theoretically being performed by subcontractors, etc., were common complaints throughout the State. Most of these problems are presented in varying forms in Exhibit 300 series statements.

THE ALASKA TRANSPORTATION COMMISSION RECOMMENDS THAT THE ALASKA HEARINGS TO BE CONDUCTED BY THE CAB EXAMINER BE BROADENED IN SCOPE TO INCLUDE A PUBLIC EXPRESSION MISSION

It is the conviction of this Commission that the service conditions previously enumerated do predominate in most areas of the State. However, we do not presume complete agreement by the carriers involved.

Therefore, the ATC strongly urges that the forthcoming hearings to be held by the CAB in Alaska should likewise be of a nature that would allow general public participation and oral testimony.

CARRIER MERGERS AND CONSOLIDATIONS APPEAR TO HAVE LED TO MAJOR DETERIORATION OF INTRASTATE SERVICE THROUGHOUT THE STATE

Within the last three years there have been several mergers and purchases of CAB certificated carriers serving Alaska. In very brief summary, these mergers and consolidations were:

1. Wien Airlines and Northern Consolidated Airlines to form Wien Consolidated Airlines, Inc., April, 1968.

2. Western Airlines purchased Pacific Northern Airlines, July, 1967.

3. Alaska Airlines with Cordova Airlines, and with Alaska Coastal Ellis Airlines, surviving as Alaska Airlines, Inc., February and March, 1968.

There appears to be a direct correlation between the merger of the larger CAB carriers serving Alaska and the deterioration in air service to outlying communities and areas.

Western Airlines, for example, has been systematically ridding itself of what might be properly termed "local service obligations." It has suspended its service to King Salmon, Cordova, and Yakutat. It seeks to rid itself of its route between Anchorage, Kenai, Homer and Kodiak. In essence, it appears that Western's real objective in absorbing Pacific Northern Airlines was to acquire only the high-traffic-density, Seattle/Portland gateway routes to Alaska, and to succeed to the favored position of PNA in its application for Anchorage-Hawaii authority as consolidated in the Trans-Pacific Route Investigation.

Having accomplished these objectives, Western Airlines now shows no interest in the air service needs of the remainder of those communities previously served by PNA.

Alaska Airlines, in its two mergers, has gained access to the Anchorage-Juneau-Sitka-Seattle-Portland market. Ketchikan has not yet been added to this service route by the CAB, but the result of this omission has been the creation of some abnormal and unsatisfactory scheduling and service conditions in the Ketchikan, Juneau, Sitka feeder service from other Southeastern Alaska communities.

In essence, what the CAB has done in Southeast Alaska over the last five years is to substitute in substantial part Alaska Airlines and Wien Consolidated Airlines for Pan American World Airways in the interstate service to Southeast Alaska. This

substitution has never met the approval of the people of this area.

Alaska Airlines inherited by its merger a multiplicity of intra-Southeast Alaska routes. Many of the services previously provided by Alaska Coastal Ellis Airlines have been discontinued by Alaska Airlines entirely. A large number of the remaining point to point routes which Alaska purportedly continues to serve are in fact served by air taxi operators under subcontract with Alaska Airlines (Exhibit ATC-103).

It was anticipated that the merger of Wien Airlines and Northern Consolidated Airlines would provide a materially strengthened carrier which would result in a better service to the public than either carrier was capable of providing individually.

Unfortunately, the emerged carrier, while providing more sophisticated equipment and service to the large competitive markets, has retracted its service to the outlying communities. In markets where Wien Consolidated is not competing with another carrier, its service and performance have deteriorated markedly.

Between 1957 (the first year Northern Consolidated subcontracted out part of its route) and November 1, 1967, Northern Consolidated and Wien Alaska subcontracted a total of 34 points on their routes. Since May 1, 1969, Wien Consolidated has subcontracted thirty additional points (Exhibit ATC-103).

The inverse relationship between mergers and deteriorating service to outlying communities appears to be a very real one. Apparently when a carrier reaches substantial size, gains access to major markets, and places into operation sophisticated jet equipment, it loses its interest and perhaps capability to provide adequate service over marginal routes.

Unfortunately, the bush-level scheduled carriers, which develop from these circumstances, do not inherit any of the better traffic markets because those markets are already occupied by the large carriers.

CAB CARRIER SUBCONTRACTS ARE UNLAWFUL AND CONTRARY TO PUBLIC INTEREST

Wien and Alaska have submitted into the record copies of their agreements with air taxis under which the latter provide

local scheduled service. Exhibit ATC-103 graphically portrays the networks of such service routes. In each case, the subcontractor is a State-certificated air taxi operator. However, only two of the fifteen subcontractors are certificated by the State as scheduled carriers. And, even in those instances where the subcontractor is certificated to provide scheduled service, many of the points listed in his State route authority are different from those he serves under subcontract.

Further investigation also reveals that the subcontractor generally serves the contract points both as a scheduled carrier and as an air taxi operator. In many instances, the volume of traffic carried as an air taxi to such points substantially exceeds the volume carried as the subcontractor. It may be that in many such cases the traffic which the subcontractor is carrying under the contract is limited to multiple coupon, involving travel over more than one service leg.

Air taxi operators are required by State law to charge only those rates which they have filed with this Commission. It is immaterial whether the service is being provided on a trip by trip basis or under a long-term contract.

Thus, for such an operator to comply with the laws of the State of Alaska as to the charges which he may make, he cannot charge the rates and the tariffs of the CAB contracting carrier, unless such rates happen to coincide with those of the air taxi operator which are on file.

Under some of the contracts the operator is paid a flat hourly rate by the mainline carrier irrespective of the number of passengers, volume of freight, etc. The mainline carrier then collects its tariff rates from the sub's passengers and shippers.

Other subcontractors apparently collect and keep as their compensation the published CAB tariff rates of the mainline carrier.

The air taxi operator's tariff normally reflects hourly rates. The cost per passenger would depend on the number of passengers travelling between two given points on the same flight. Thus it would appear that there is only one point in the passenger-time relationship at which the air taxi rate per passenger could be the same as the passenger rate of the scheduled CAB carrier.

This subcontract approach is even further clandestine in that the CAB carrier, rather than this Commission, makes the determination as to which, if any, local Alaska certificated carriers will become scheduled carriers and will be allowed to carry mail for compensation. This leads to an unhealthy control by a major airline of the independent operations of locally-certificated carriers. It also leads to a reduction in competition and service through a mutual arrangement not to compete. Although the CAB regulated carrier remains ultimately responsible for the actions and performance of the subcontractor, they in fact exercise no supervision over the sub, do not know what the sub is doing or not doing, and apparently couldn't care less. With many of the subcontractors, the only scheduled service provided occurs on mail flights (if there is room) and mail is delivered sporadically.

One further point should be made before leaving the matter of subcontracts. There is no assurance that a contract will not be terminated on short notice; or that it will be renewed upon expiration; or that it will not be given to a different local operator; or that the CAB carrier itself will not terminate the contract and initiate the service itself. Thus, the State-certificated operator builds his operation and his capability with no assurance that he may continue to provide that service for any length of time.

The CAB carrier is neither qualified nor authorized to designate local carriers upon which it will bestow operating privileges within this State.

There have been numerous complaints to the effect that some subcontractors of CAB carriers are providing poor, sporadic, inadequate and unsatisfactory service to the people they supposedly serve. These conditions add emphasis to the impropriety of the route subcontracts.

IT APPEARS THAT THE AIR TAXI OPERATORS, PARTICULARLY IN SOUTHEAST ALASKA, NOW PROVIDE THE ONLY DEPENDABLE BUSH ROUTE SERVICE

The Commission has requested confidential O & D information of Southeast Alaska air taxi operators for the months of August and October, 1969. The response to this request was sufficient to indicate that the air taxi operators are now carrying a very

substantial percentage of the passenger traffic between communities presumably being served by Alaska Airlines.

The response to the Commission's request represents about one-third of the total volume of passenger movement by air taxi operators. The information submitted shows a weighted average of approximately 60 percent of the passenger load carried by the responding air taxi operators in the Third Quarter of 1969 as passengers moving between points on Alaska Airlines' scheduled route. It is believed that this average may be somewhat high as a reflection of the total Southeast Alaska air taxi movement. However, even if the percentage was reduced to 44 percent (the lowest of the reporting operators) it would mean that in the Third Quarter of 1969 air taxi operators in Southeast Alaska transported approximately 26,000 passengers between points listed on Alaska Airlines' scheduled route. This matter is well highlighted by the fact that Alaska Airlines in its informational response (IR-AS-1) shows the number of O & D coupon passengers carried by it between Juneau and Hoonah in the month of August, 1969, as 184. However, one air taxi operator alone shows a total of 840 passengers transported between Juneau and Hoonah during the same month.

It is the Commission's belief that these circumstances vividly reflect a virtually-complete abandonment by Alaska Airlines of its responsibilities under its CAB certificate to provide a dependable scheduled service to these outlying communities. In essence, the people of Southeast Alaska must look to the air taxi operator if they are going to receive a modicum of dependable service between the communities of Southeast Alaska.

The extent to which the results of the Commission's survey in Southeastern Alaska can be translated to other areas of the State is not known. However, the Commission has received considerable indication that the ratios may be similar in the Northwest, Southwest, and Interior areas as shown in Exhibit ATC 105.

UNILATERAL DECISION BY THE CAB WOULD BE IMPROPER IN THIS PROCEEDING

As procedural matters now stand, the decision in this Service Investigation is to be made unilaterally by the CAB.

This approach places the Alaska Transportation Commission in a rather unique position (since it is the regulatory body on

the State level). As pointed out earlier in the text of this Paper, the regulatory jurisdiction of the State is at least as substantial as that of the CAB.

Therefore, what the Commission is apparently being asked to do is decide for itself the issues in this proceeding without benefit of the evidentiary record and briefs and thereupon make its recommendations to the CAB as would any other party.

Such an approach, even if it were practical, would serve little purpose. It is essential that the jurisdictional questions be squarely faced and the utmost in cooperative effort be pursued by both the CAB and the ATC. This Commission currently has in its files a substantial number of applications for intrastate scheduled authority. The Commission has deferred consideration of all such applications (upon which hearings have not been held in the past six months) pending the outcome of this ALASKA SERVICE INVESTIGATION. Even where hearings had been held previous to this policy decision, the granting of authority where warranted by the public convenience and necessity has been limited to a one-year period.

It is intended by the Commission to systematically review the scheduled service requirements of limited geographical areas in a series of State area service investigations and to provide for the certificated service so badly needed in many areas of the State.

It would be a complete frustration of regulatory responsibility if the CAB and the ATC failed to integrate their efforts in these matters which so vitally affect the public interest.

DATED at ANCHORAGE, ALASKA, this 14th day of April 1970.

ALASKA TRANSPORTATION COMMISSION

Dennis L. Marvin, Commissioner

George L. Benesch, Commissioner

James J. Johnson, Commissioner

EXHIBIT "C"

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF COMMERCE

ALASKA TRANSPORTATION COMMISSION

750 MACKAY BUILDING
339 DENALI STREET—ANCHORAGE 99501

May 5, 1970

This letter was sent to applicant air carriers representing 13 docketed applications for intrastate scheduled carrier authority.

SUBJECT: Your Application for Scheduled Carrier Authority -- Docket No. _____.

Dear Mr.

The purpose of this letter is to inform you as to the status of your subject Docketed Application for Scheduled Air Carrier authority.

As you may already know the Commission is a party in the ALASKA SERVICE INVESTIGATION of the Civil Aeronautics Board, Docket No. 20826. Upon a close investigation, we believe that the issues in the CAB proceeding touch upon all existing or proposed scheduled service between all points within the State. We have, therefore, taken the position that neither the CAB nor this Commission should act wholly unilaterally in developing an adequate, efficient, feasible and statewide intrastate network of scheduled service.

In keeping with this policy the Commission has for the last several months deferred final consideration of all new applications for scheduled service not previously acted upon unless such deferral would create a serious public hardship in a particular case or the application may otherwise be non-controversial. We intend to continue this policy of deferral over the next few months, at least until the direction the ALASKA SERVICE INVESTIGATION is going to take has been demonstrated.

It is the contention of this Commission that much of the intrastate service such as that for which you have applied is and should be regulated by the State. At the same time, the Commission recognizes that a proliferation of numerous intrastate scheduled carriers could significantly affect the operations of the carriers heretofore regulated exclusively by the CAB. We believe the public interest demands that the regulatory efforts

of the Federal and State governments be substantially coordinated to avoid duplication of effort, conflicting decisions and objectives, adverse effects on the carriers and the public, etc.

This Commission has therefore placed itself in a posture whereby such coordination and joint effort can be accomplished. We are assuming, of course, that the CAB is similarly interested in such cooperation and coordination.

At such time as these applications for scheduled service are again considered (hopefully within the next few months) we propose to initiate local area service investigations for the purpose of developing an adequate, viable, feasible network of local carriers. This program will be preceded by a rule-making proceeding for the purpose of adopting guideline regulations and to give the industry and public an opportunity to be heard on the procedure, problems and objectives.

We appreciate your continued patience and understanding in this matter.

Sincerely yours,

George Benesch

George Benesch
Commissioner

EXHIBIT NO. D

An examination by the staff of the Alaska Transportation Commission as of May 4, 1970, shows that the matters set forth below are pending before the Commission.

There follows hereinafter an analysis of these pending matters. The analysis attempts to group the matters so as to reflect the type of issues and problems involved. It further attempts to explain the general nature of each group and seeks to explain the responsibility of the Commission in deciding these matters so that reasonable time factors can be applied to the determination of each group of matters.

1. Contested Matters: This class of cases involves applications for permanent authority to operate air taxi, scheduled carrier, and contract carrier in air commerce; applications for temporary and emergency temporary authority for operation as an air taxi, scheduled carrier, and contract carrier in air commerce; applications for permanent and temporary authority for what are known as common carriers - freight, common carriers - passenger, and contract carrier - freight, in motor carrier commerce. Other classes of cases involve authority to operate air cushion vehicles and water carrier (ferry) vessels. Each of these cases has been protested by one or more individuals or companys and each application will require public hearing estimated to average from 4 to 5 days.

   Contested cases requiring hearing 87

2. Uncontested Matters: This class of cases involves matters in which there have been no formal protests but in which either an informal or formal hearing will be required by the Commission in order to determine whether it is in the public interest to authorize either air, surface, air cushion, or water (ferry) carriage. This class of cases also includes those matters in which formal oral argument is required by the Commission on either or both contested cases (which have been heard) or uncontested cases.

   Hearings on uncontested cases or cases which require argument and Commission decision 66

3. Other Matters: This class of cases involves matters which require Commission study and perhaps additional hearings (not included above). These cases involve such matters as complaints alleging violations of the transportation law, requests for interpretations of the law, review of policy determinations made by prior Commissions, review of the operation and practices of operating carriers in which the public interest is involved.

Cases involving so-called Other Matters 13

4. Pending Decisions: This class of cases involves matters that have been heard by the Commission and cases which have not required a public hearing but which require the study, examination and exercise of judgment and discretion of the Commission. In all cases formally or informally heard by the Commission under the present law it is necessary for each Commissioner to fully study and analyse the record and all exhibits presented before entering into conference for decision.

Cases involving Pending Decisions 6

5. Special Matters:

(a) The Commission during the past several months has held over 20 hearings throughout the state in connection with the Civil Aeronautics Board's Alaska Service Investigation (Air Route Investigation). These hearings have averaged from 2 to 4 days per hearing (including travel time). Upcoming are six hearings within Alaska and at least two hearings in Washington, D.C. (Please see explanation of the nature and scope of these hearings, supra). These hearings are policy making in nature and hearing officers would not be able to attend to these matters nor exercise the discretion and judgment required.

Estimated time for CAB hearings 30 days
Estimated time for briefing and argument 30 days

(b) The transportation industry of Alaska has changed dramatically during the last few years. The industry is no longer a 'small-time' matter. Regulations of the Transporation Commission as they now exist were based on a much smaller and less complicated industry. The regulations have proven to be grossly inadequate and incomplete to meet the needs of our modern and growing industry. This fact is widely known throughout the industry particularly among attorneys practicing within this field. The regulations must be completely revised. Revision of regulations of the transportation industry is a vast and major task. There is no provision under the law for this task to be accomplished by other than the Commission itself. The revision necessary of regulations

governing air, motor carrier (freight and passenger), air cushion vehicles and water (ferry) carriers will require extensive research and study and may take as long as one year. This work must be performed by the Commission because these regulations involve many involved issues of policy, practice and procedure. Work on this revision of regulations which is very immediately necessary will require time that is now devoted to the hearing of cases.

Estimated time for revision of regulations 1 year

(c) In addition to revision of the transportation regulations there is an urgent need for a reclassification of carriers within each of the groups, i.e., air, surface, air cushion and water. The Commission now has planned at least three reclassification hearings. These hearings will involve the taking of testimony from all interested members of the industry, and the public.

Estimated time for reclassification hearings 30 days

SB569

The Legislature of the State of Alaska
FISCAL NOTE

House Judiciary

COPIES: ___THE CHAIRMAN OF THE COMMITTEE MAKING THE REQUEST
___THE HOUSE FINANCE COMMITTEE STAFF
___THE SENATE FINANCE COMMITTEE STAFF
___THE DIVISION OF BUDGET & MANAGEMENT
___RETAIN A COPY FOR YOUR FILES

Subject Judicial Salaries SB SB 569
requested by Senate Judiciary Committee
referred to Senator Miller date of request 4-20-70
completion date requested date received

EXPENDITURE DETAIL	FY 70-71	FY	FY
100 PERSONAL SERVICES	$ 138,200.	$	$
200 TRAVEL			
300 CONTRACTUAL SERVICES			
400 COMMODITIES			
500 EQUIPMENT			
600 LAND AND STRUCTURES			
700 GRANTS, CLAIMS & SHARED REVENUE			
TOTAL	$ 138,200.	$	$
FUNDING DETAIL			
FEDERAL RECEIPTS	$	$	$
SPECIAL FUNDS			
UNRESTRICTED GENERAL FUND RECEIPTS	138,200.		
Man Months			
Permanent Positions			
Temporary Positions	-0-		

FISCAL ANALYSIS

	SB 569	Alaska Court System 70-71 Budget Req.	Increase	Total Increase
Chief Justice	$32,000	$30,000	$2,000	$ 2,000
Associate Justices (4)	31,000	28,000	3,000	12,000
Superior Court Judges (16) (11 present, 5 proposed)				
Total of 17 includes the Administrative Director	29,000	26,500	2,500	42,500
District Court Judges (16)	24,000	19,000	5,000	80,000
				$136,500
Judges' Benefits-- W/C - 95¢; P.Liab. - 29¢/100 136,500 x $1.24 = $1,692.60				1,693
			Total Salaries and Benefits:	$138,193
			Rounding:	+ 7
			Net:	$138,200

DATE April 20, 1970 SIGNATURE Robert H. Reynolds

NAME & TITLE Robert H. Reynolds, Administrative Director, Alaska Court System

THE PRECEDING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K, STATE CAPITOL—JUNEAU 99801

May 27, 1970

The Honorable Gene Guess
Alaska State Representative
Alaska State Legislature
Juneau, Alaska

Re: Senate Bill 588

Dear Mr. Guess:

In accordance with your request we have reviewed Senate Bill 588 in order to determine its constitutionality. In the opinion of this office there is good reason to believe that SB 588 is inconsistent with one or more of the following sections of Article X of Alaska's Constitution:

> Section 1. PURPOSE OF CONSTRUCTION. The purpose of this article is to provide for maximum local self government with a minimum of local government units, and to prevent duplication of tax levying jurisdiction.
>
> . . .
>
> Section 3. BOROUGHS. . . . The standards [for boroughs] shall include population, geo raphy, economy, transportation, and other factors. Each borough shall embrace an area and population with common interest to the maximum degree possible.
>
> . . .
>
> Section 7. CITIES. . . . shall be a part of the borough in which they are located.
>
> . . .
>
> Section 9. CHARTERS. . . . All charters, or parts or amendments of charters, shall be submitted to the qualified voters of the borough or city, and shall become effective if approved by a majority of those who vote on a specific question.

As noted above, Sec. 3 of Article IX requires establishment of boroughs according to standards which, while set by law, must include those of population, geography, economics, and transportation. From this requirement and others the Constitution obviously requires that the borough be established with a view towards cohesive functioning.

The idea of cohesiveness as the object desired is also reflected in the above quoted portions of Sec. 7 and Sec. 1 of Article X.

In this regard it is also important to note the following pertinent statements by members of Alaska's Constitutional Convention:

> The powers of boroughs shall be provided by law, and we felt that in order to have good local government in Alaska, the whole state should be divided - we would not want to have loose sections here and there, and that in setting up this program the boundaries should be laid out. Alaska Constitutional Convention 2612.
>
> We had thought that the boundaries should be flexible, of course, and should be set up so that we would not want too small a unit, because that is a problem that has been one of the great problems in the state, the very small units, and they get beyond, or they must be combined or extended. Id. at 2621.
>
> It was pointed out here that these boroughs would embrace the economic and other factors as much as would be compatible with the borough, and it was the intent of the Committee that these boroughs would be as large as could possibly be made and embrace all of these things. Id. at 2638.
>
> [W]e visualize the possibilities that as the borough becomes a more definite unit of government over the years, which we hope it will, the scope better defined, that all the functions

> that can best be carried out on the unified basis be transferred over to the borough. Id. at 2654.
>
> I would like to point out here that if that would be the case in our situation, where a city would grow to where its boundaries would be the same as the borough boundary, it would be a matter very simple to either disorganize the city or the borough so you would, under one government instead of having the situation that you would have in some cities in the states where they have grown to take over the whole county. Id. at 2657.

It should also be noted that the effect of Senate Bill 588 would be to make the area excluded from the unified municipality part of the unorganized borough since it would not be subject to any of the ordinances or other decisions of the governing body of the unified municipality. In other words, the result would appear to be a doughnut shaped borough, a concept which does not appear to be authorized by Sec. 7 of Article X.

Finally, there is the problem created by the provisions of Article X, Section 9, which provides

> "The qualified voters of any borough of the first class or city of the first class may adopt, amend, or repeal a home rule charter in a manner provided by law. . . . All charters, or parts or amendments of charters, shall be submitted to the qualified voters of the borough or city, and shall become effective if approved by a majority of those who vote on the specific question."

If one concludes that charter elections for unified local governments 1/ come within the meaning of the first

---

1/ AS 29.85.120; AS 29.85.160.

sentence of this constitutional section, 2/ the provisions of Senate Bill 588 would probably violate the section's last sentence in that one could reasonably conclude that the unification charter would be amended without submission to the qualified voters of the borough whenever a city were to exclude itself under authority of the bill's language.

Sincerely,

G. Kent Edwards
Attorney General

GKE:jt

2/ Although a borough and the cities within it need not be first class to unify under AS 29.85.010 whereas Alaska Const. Art. X, Sec. 9 speaks only of boroughs and cities of the first class, once unification has occurred, unified municipalities have all powers granted to first class cities. AS 29.85.210.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

May 2, 1970

MEMORANDUM

TO: Senator Lewis

FROM: Greg Machyowsky, Legislative Counsel

SUBJECT: Enclosed bills relating to exclusion of a home rule city from unified local government

Either of the two bills enclosed would permit a home rule city to withdraw from a unified government, notwithstanding that a majority of voters in the cities taken together have approved city and borough unification. The shorter bill is a duplicate of a draft prepared at the request of members of the House.

The other bill is for the same purpose, with some suggested revisions to spell out legal implications in more detail and more closely tailor the provisions to the Douglas situation; for example, the 60 per cent vote requirement of subsection (f) is raised to 70 per cent, which was the percentage by which Douglas voted against unification in the recent charter election in the Greater Juneau Borough. Also, subsection (i) alters the approach on filling the seat of a unified governing body member who is a resident of the city excluding itself from the unified government. (I have suggested that some technical revisions be made in the House draft if it is decided to introduce the bill.)

Exclusion of the city under either bill would have to take place before the city is dissolved under terms of the charter for unified government approved by the voters.

While possible arguments could be made on the constitutionality of the bills under the state constitution, in my judgment either bill would meet constitutional requirements.

GM/sm

Greg Machyowsky

Mr. Jackson, Chairman, and Members of the Judiciary Committee:

After hearing all the arguments pro and con on this issue I hope you will be able to sort out fact from fiction.

~~Yesterday~~ the other day, Mr. McLean stated that the community of Douglas was not facing up to its responsibilities in area-wide functions. This is not so. We have participated in and are paying our full share in all area-wide functions - schools, hospital, assessing and collecting of taxes, administrative costs and all the rest that we are obligated to. To infer otherwise is doing an injustice to every taxpayer of Douglas. To assume we would not pay our obligations in the future is also an injustice. Our every intention is to participate fully with whatever functions are deemed area-wide.

All that is being sought here is a small measure of local government - to have a say in the day to day operation of the city, to maintain our streets and utilities (water and sewer) and have a place to be able to take our problems and be heard.

The farther we lean toward a totalitarian government, the less responsive it is to the needs of the people and the less participation people will take in their local affairs.

I urge favorable passage of Senate Bill 588 and this committees favorable report to the full House of Representatives.

Thank you.

James D. Sofoulis

James D. Sofoulis, Councilman

City of Douglas

Mr. Chairman & Members: I am a Douglas Res. since 1933 my wife since 1911

I know too that this session is t longest in history. And I am sure you want to go home rather than have to sit here and listen to people making erroneous statements and tell you their personal record that they have practiced law and been in the Legislature, etc. The second witness, for the opposition another lawyer for the Borough asking that this bill #588 be kept in committee. He, too, is my lawyer, because Douglas is in the Borough. Why should he discriminate against Douglas, it's Douglas' tax dollar that helps pay his salary. He states the bill is unconstitutional, well, there are also lawyers in the Senate that didn't think so. Thirdly, another lawyer telling you that the charter was modified and all the teeth pulled out, it was modified all to the tune of putting Juneau in the middle of District 2 which is Douglas and also giving Juneau one more assemblyman. So one tooth was put back in.(Wisdom) And of course that's only his story. Douglas checked and found that the Dentist overlooked a few. We still have a few copies of what was overlooked. ~~Dropping back to Mr. McLeans testimony, saying that Douglas was not paying to support the airport.~~ On his trip to Anchorage he made the ~~statement there was another airport ready to go in on the Douglas side that would be in District 2 (Douglas)~~ Who would get the ~~profit after this airport is in operation.~~

The Douglas people are giving a lot of help to Juneau. Just a few years ago the Capital move was on the ballot and Douglas put one mill tax levy on all real property on a voluntary basis, everyone paid it. Douglas didn't want our sister city to fade away.

There has been talk of court action, this we want to avoid. It is too costly and we have had to listen to the same lawyer for advice. Here is a clipping out of the local paper. One other item that was mentioned was that Douglas had no housing plan. True, still when the Highway Department needed space in the spring of what year, Douglas gave up their ball park and had the Department moved in before the end of that year. With hard work and planning Douglas has

Area Unification

Feb 24-70

Douglas Residents Seeking Way Out

More than 100 Douglas residents appeared at a city council meeting Monday evening to learn what legal avenues they might pursue in opposing the unification of all governments in the Greater Juneau area.

"No action will be taken by the city council until after the absentee ballots are counted today and the unification election results are certified by the official canvass," Douglas Mayor Robert Savikko said today.

Douglas City Attorney Joe Henri said he told the group "I couldn't see any possibility for a successful court action."

Henri, who is also the city attorney for Juneau, said he told the council they would have to retain another lawyer to prosecute any legal efforts to overthrow last week's election approving unification.

The attorney said that in answer to questions he told the gathering there are two avenues they can follow in seeking to secede from the unified government after July 1.

The city can proceed either under the annexation and exclusion laws of the state, or by an appeal to the Local Boundary Commission, asking to be excluded, he said.

Under state law, an area wishing to be excluded from a municipality follows procedures similar to those for annexation, with a majority vote being required to bring about exclusion.

The courts apparently would have to resolve any conflict between laws allowing unification and those allowing exclusion.

Henry said he is also researching a question of possible "gerrymandering" of election districts on Douglas Island.

The question arose because West Juneau, which separates Douglas and North Douglas, is part of the city of Juneau.

Absentee Ballots To Be Counted Today

Final outcome of last week's election on the revised charter for a unified municipal government will be known late today when the Greater Juneau Borough Assembly is expected to certify the ballot count.

The assembly is due to meet at noon today when it will instruct Borough Clerk Edward S. Hildebrand to count the absentee ballots.

Of 165 absentee ballots sent out for the election, approximately 65 went to voters in the rural area, in which unification carried by the slim margin of 41 votes. In the combined Juneau-Douglas area, the vote was definitely in favor and would not be affected by absentee returns.

Hildebrand said he would begin the absentee count as soon as the assembly adjourned its noon session. The assembly is expected to reconvene at 5 p.m. to certify both last week's ballot returns at the polls and today's absentee ballot count.

now 2 ball diamonds, track, tennis court coming recreation shelters. There is no fence to keep Juneau out.

Maybe it would be quicker and more clear to call a 30 minute recess and take a tour bus and see for yourself, although it's not in the city budget, but I'll pass the hat around and take care of the bill. Douglas had to do it when the town and school burned down in February, 1936. Aid came in from many small communities so we could finish the school term. (None from Juneau) Again by Sept. of the same year a new school was ready and also on a solid foundation. Not like the one at Auke bay on a floating one, but that's big government. One other item I failed to mention was that the Borough hiled a salesman to the tune of $12,000.00 to fight Douglas and area wide. That too was partly Douglas money. Again I must say if this was so good why did they have to spend so much money for propaganda? It wasn't sold to the people, they were just worn down.

I myself can see that Juneau has problems but who hasn't. Again I would like to say that Juneau has been very fortunate to receive all the money (in wills) for indoor swimming pools, valuable land willed for cemetary purposes, then traded it for a few loads of blacktop. The money the Juneau Douglas School Board received from Douglas ($32,000.00) after school consolidation certainly helped to pay off their old high school which was mortgaged since 1914, this was in 1955, XXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX Douglas didn't get any credit for the furnishings that took four days to haul out. of the Douglas

I would like to ask for permission Leg, + should Douglas want to join later they could

on the new unified government, or Other Corrective action other than secession with this ~~subsidiary~~ result.

I propose that the House take no action on a bill 588 allowing secession at this time.

In this event, I believe most objections would be over-come, with the least people un-happy - and this area could go forward with-out inter-city bitterness and passions.

If the House passage declines of the bill, some ~~percent~~ of approximately 400 voters of Douglas may be not entirely sati fied . But the Community will have the knowledge that it fought the battle and in effect won the battle. The Legislature will have solved a problem. Juneau and area with Unification can continue, onward in the march of progress, hopefully to the betterment of our citizens.

Sincerely,

Val Poor

Douglas, Ala ska

548

May 30, 1970

Alaska State Legislature
House of Representatives
Judicial Committee

I am Val Poor, a resident of Douglas, for ~~over 30 years.~~ I ~~have raised a family~~ of five, ~~two of whom are sitting with me today,~~ all graduates of the Unified ~~School System, and most planning to make this their home.~~ ~~I am the Postmaster at Douglas and vitally interested in the affairs of the community,~~ and intend to ~~live in this community for my lifetime.~~ ~~My entire investment for the future lies in this community, as a extensive property owner.~~

who share my views in this matter today

I am here today to testify against action by the House of Representatives to pass legislation similar to a bill passed by the Alaska Senate, allowing Douglas to secede from the Unified government of the City and Borough of Juneau.

I am against the possible action because I can forsee more problems being made for our area and for a long period of time, than if such legislation were not passed.

Douglas was wronged in two instances. The Legislature passed a bill several years ago which resulted in the City of Douglas having been discriminated against, and in which they could vote 100 % against unification and still have it forced upon them. Later the Charter Commission did not give Douglas a full 1 seat on the new representative unified government. I firmly believe/ it is these two wrongs which are the direct cause/ of the defeat of the unification Charter at Douglas proper, and why the Legislature is being asked now to correct the situation by further legislation. In my own case I felt very strongly and financially supported and voted against acceptance of the first Charter presented, partly on the basis of corrections needed, but mainly because of my ~~extreme~~ anger at being dis-enfranchised by my vote in the event Juneaus vote overwhelmed us. By the presentation of the second Charter to the voters, ~~some~~ corrections were made, Douglas was given the chance during Charter hearings to be heard on other desirable changes.

I had taken another look at the area-wide picture and the advantages, and had analysed my own feelings, concluding that I was mainly objecting to the principles of the election - more so at least , th an the principles of unification. SO I voted for Unification and the Charter, ~~on the second time around.~~ In Douglas several years ago we elected to consolidate our School systems into the Juneau Douglas School system . It was a bitter battle and disruptive to the community for quite a few years. I was against unification of our schools. With the passing of years, the graduation of my children and the serving of five years on the School Board, I realize that , altho bitter at the time, the unified School system turned out to be the best for our children It is a closed issue now and Douglas would'nt think of turning back, I'm sure.

I believe that the injustices I mentioned can be remedied, under the existing system, with the help of this judcial committee.

The proponents of a bill to permit secession are my friends and neighbors ~~and patrons.~~ My sympathy goes with them ~~and my heart is surely with them in this matter of injustice.~~ They have worked hard and deligently and ~~with persistence,~~ as I believe, they have won. At this Point The measure has passed the senate. I feel that the House too will feel obligated to correct these injustices towards a proud independent and very old Alaskan comminity. How-ever I also feel that the House of Representatives could , or this Judiciary Committee, could, take action other than passage of secession legislation, to correct the wrongs, ~~and enable our area~~ to continue on with Unification, the progress of the Community, the building of a greater Capital of Alaska, the building of swimming pools and other ~~community benefits for the benefit~~ of all. The proponents will have won and proved that through due legislative action, wrongs can be righted. The Legislature will have playdd a important part in justice to citizens and state and community. And we can still have unification of this area.

I propose that this Judicial body, or other body of the Legislature, direct the new City and Borough of Juneau, that a first order of business on July 1, be to ammend their charter, enabling Douglas to have 1 full Representative, guarantee d

SB 588
House Judiciary

Julie Isaac
5-31, 1970

Mr. Chairman, Mrs. Banfield and Gentlemen:

I believe we've met twice before on other legislation, but for the record, I am Julie Isaac, 410 "D" Street, Douglas, where I've been a resident with my husband and two teen-age youngsters for the past 19 years.

In appearing before you today on SB 588, I speak to you as a resident and concerned citizen about the honesty and integrity of what we call the "democratic process." It has been only during the past year that I've been able to participate actively in our City Government----from the sidelines under the portion headed "audience participation"--having failed to win a council seat in the last election. And I dare say since last October, I've had a better attendance record than many of our councilmen. (Now with this disclosure, Mayor McLean will probably be having some second thoughts about unified government, or maybe he will recommend doing away with audience participation altogether.)

When I heard the Juneau Mayor yesterday attacking SB 588, the far-reaching effect it would have on the entire area, particularly what he said was misuse of the word "unification" rather than ratification, and the inference that we would be excluding ourselves from certain types of area-wide services, such as the hospital and airport, I think he was going a bit too far. Douglas has always paid its way and will continue to do so. Further, he misinterpreted the number of votes he received in Douglas as an endorsement of unification---and the same true out the road in the high vote for Jenny Kline. What did he expect us to do, support the Douglas candidate who ran against him! **Insert

Yesterday's hearing was the first I've attended in regard to this bill, but I understand the charge has been made that Douglas is merely a bedroom city and offers little or no co-operation with Juneau or the entire area. To generalize in this manner, I feel is erroneous. I think there is excellent co-operation between Juneau and Douglas, and Douglas has contributed more than its share of leadership capability in many undertakings that have benefitted the entire area....

For example when there was a need for additional state office space, Douglas gave up its ball park (for a nominal sum) for the Highways Building. When the Mt. Jumbo School became vacant in 1966, Douglas leased it to the University of Alaska, as a support facility for the Institute of Marine Science----for a Dollar year, [redacted] sacrificing a much needed gym for our Douglas teen-agers. I might add that during this time there has been no exterior maintenance to the buildings or grounds----and so far as Douglas profiting from this operation, I wish someone would point it out to me.

Participation in civic and service projects that benefit the area, I cite the leadership that has come from Douglas in such organizations as the Hospital Guild, the Exchange Student program, Savings Bonds Program and the Douglas Island Woman's Club, which is sponsoring the Planned Parenthood of Juneau and Douglas and just now getting organized.

As a matter of fact, we've taken the lead in many community improvements. We were first to get the dial telephone system. Our water is fluoridated. We were first to get the new vapor lights and I could go on. Oh yes, our Woman's Club was the first in the area to have set aside a children's park, which we equipped. We [redacted] also issued the first service directory to welcome newcomers as they moved into the community. It is not as imposing a document as the City Charter and there is no particular pride of authorship since it is filled with printer's errors, but it does give you a bird's eye view of what our town has to offer and I would like for you to have a copy.

Getting back to the integrity and honesty in government, it may seem irrelevant to mention this here, but I have a point to make. I want to thank each of you for your support of House Bill 610, which would give the University non-professional employees equity with State employees---it passed the House without a dissenting vote.

Yesterday morning, in trying to find out from the two different chairmen whose committees will be handling the bill in the Senate---HEW (Lowell Thomas)

State Affairs (Engstrom), I was told by Senator Thomas that he was very cool toward the bill after having talked to Dr. Wood, and he doubted that his committee would be able to get together before adjournment.

When I suggested maybe there was conflict of interest on his part (he has made some pictures for the University) told him I thought he should go ahead and make the effort anyway, he appeared to become irritated and said: "Mrs. Isaac, I am very sorry for you and have nothing but sympathy for you, but you have been deceived by your friends in the House----they knew at the time of passage of this bill it would never get through the Senate at this late date. They just wanted to get if off their back." When I continued to press for calling his committee and offered to help get them together, he finally told me that they would hear my testimony Tuesday morning---five days after receiving the bill.----probably after adjournment. (add: now set for tomorrow.)

Now if the Senator thinks I have been deceived by the House, I wonder if the same charge might not be made against the Senate for having passed this bill out at so late a date.

All of us know there has been deceipt---it first started when we were asked to elect a charter commission---ohm no, we were not voting for unification---we were merely electing a charter commission to conduct a study. Two years, we are told, when we were voting to accept or reject the charter---you are voting to ratify the charter---you voted for unification at the time you elected the charter commission!

Millie, and gentlemen, I beg of you---there has been enough deception already do not deceive us further---if you are not meeting with us in good faith, with an open mind and a willingness to help right a wrong, then pray tell us and let us be about our business.

If there are portions of the bill that are unworkable or detrimental to the government outside of Douglas, please amend it---you have three attorneys on this committee, plus Mr. Peterson and the Attorney General---fix it--make it acceptable to both of us. But I ask you once more to please honor our vote and renew our faith in the democratic process. Thank you

Testimony on SB 588
by Bill Boehl

House Judiciary Committee
June 1, 1970

Mr. Chairman and Members of the Judiciary Committee:

My name is Bill Boehl. I'm a former councilman and Mayor of Douglas.

We have heard arguments for and against unification, but we have heard very little about the unification law itself. It has not been tested in the courts of Alaska, nor have I heard of an Attorney General's formal opinion, attesting to the constitutionality of the original act. If there is one, it has never been tested in court.

This, in itself, poses grave legal problems ahead. I do not know if any action will be taken through the courts at the present time, but this does not preclude some other area or individuals of the State similarly involved in the future from attempting to resolve this question. If it were held unconstitutional a year or so after unification took place, this would pose serious problems indeed.

It seems to me there should be an attempt to get a ruling on the question from our Supreme Court before allowing what, in my opinion, is an illegal annexation. Courts have traditionally held that proper methods of annexation are valid, and this method was open to the area prior to the passage of the Unification Act.

We are a new State and new in government, but in the older 48 states there has been no great rush to dissolve smaller cities by the overwhelming vote of a larger city unless there was <u>mutual agreement</u> and <u>proper annexation</u>.

I would urge you to give SENATE BILL 588 a DO PASS and report it to the House for action.

SB 589

517 Copper Street
U. of A. Campus
College, Alaska 99701
May 5, 1970

SB 589

Barry Jackson
Alaska House of Representatives
Juneau, Alaska

Dear Mr. Jackson:

Governor Miller's scheme for using State funds to build the TAPS road can best be described as "Socialism for the rich." The Governor would never consider allocating so much money to loans for sewer, water, housing or education for low or middle income people.

Politicians frequently brush aside projects aimed at helping non-rich people or minority groups by saying "This is the responsibility of private enterprise". When a wealthy private enterprise gets in a jam, however, the Governor can hardly wait to bail it out with State money.

In actual fact, very few Alaskans will truly benefit from rapid construction of the TAPS road, and we all may suffer terrifically from it (for example, if the pipeline permit is not granted, or if the access road is not built along the pipeline's eventual route.)

The State's responsibility is to its citizens -- ALL of us, not just the oil and construction men. I say, let private enterprise build its own blankety-blank road!

It is up to Legislators of true stature to resist pressure from powerful oil and construction interests in favor of the long-range interests of all Alaskan citizens.

Sincerely,

Constance K. Smith

Constance K. Smith

HB
106

Schwamm

THE ALASKA MERIT SYSTEM

(Review Draft)

Thomas C. Woodruff
Institute of Social, Economic, and Government Research
University of Alaska
College, Alaska 99701

Alaska's State Personnel Act calls for "a system of personnel administration based upon the merit principle and adapted to the requirements of the state to the end that persons best qualified to perform the functions of the state will be employed, and that an effective career service will be encouraged, developed, and maintained." (A.S. 39.25) Alaska's merit system is eight years old and presently employs about 4,200 persons. This article traces the development of the merit principle in public employment and examines some difficulties involved in institutionalizing that principle. Against this background, Alaska's merit system and some of the difficulties it currently faces are described and analyzed.

The effectiveness of any merit system is determined by sufficient pay scales, maximum utilization of the labor market, enlightened application of the merit principle, and adequate financing and staffing of the personnel function itself.

1. Sufficient pay scales: If wages are not high enough to attract and hold high quality personnel, the state incurs long term inefficiencies and fails to develop an effective career service.
2. Enlightened application of the merit principle: Hiring for merit, and merit only, is no simple task. Routines and procedures are designed so that personnel actions are taken for reasons of merit only, but they are never perfect. Faithfully following a routine supposedly based upon the merit principle does not necessarily produce a merit system.
3. Utilizing the existing labor market: Alaska has a peculiar labor market and a substantial unemployment problem. The state's merit system should be aimed at recruiting every individual interested in

competing for a state job and who would be able to successfully assume the responsibilities of that job. Competitive examination among such recruits should set actual employment standards.

Utilizing the Alaskan labor market is especially difficult; screening procedures imported from the continguous 48 states can easily discriminate against some people because of their cultural background, rather than their potential usefulness as state employees.

4. Staffing and financing the personnel function: If the state's personnel agency is not adequately staffed and financed, the difficult judgements which the professionals in that agency must make will tend to become arbitrary because of the necessity of keeping up with the work load imposed by other state agencies.

These four criteria will serve as reference points in describing and analyzing Alaska's system. First, however, is a review of the development of the merit principle.

THE DEVELOPMENT OF THE MERIT PRINCIPLE

The merit principle is a concept of public employment which has evolved throughout the 180 years since the American Revolution. It is now widely recognized that efficient democratic government requires a politically neutral force of capable employees to carry on the public's business. But since a public job is a source of income and of a certain amount of power, control of government employment has always been a valuable political asset.

In colonial days the royal governor made most public appointments. The public service of that time supported an aristocratic class of civil servants who were responsible to the royal governor and who often served inefficiently

and indefinitely. The Revolution was, in part, a reaction against this civil service.

During the nation's first forty years, a democratic aristocracy ruled the country. The rich and educated controlled the political system and the federal civil service consisted of wealthy appointees. Suffrage and education were far from universal. Though government generally was not corrupt, neither was it broadly representative of the majority of the people.

THE RISE OF THE COMMON MAN AND OF THE SPOILS SYSTEM

Andrew Jackson, elected in 1828, was the first president who had not been born to a wealthy family. Historians generally agree that his election signaled the rise of the common man. His administration also marked the formalization of the spoils system in the federal government.

When Jackson took office in 1829, he reformed the civil service by removing all the "unfaithful or incompetent officers" who, he felt had acquired the habit of looking with indifference upon the public interest and who considered their offices "a species of property" and "a means of promoting individual interests." "To the victors belong the spoils" originally meant that common men could aspire to the jobs that formerly went only to the privileged.

The philosophy that government jobs should go to the most qualified applicants seemed an excuse for hiring only the educated and, thus, only the rich. In his first annual message, Jackson said:

> The duties of all public officers are, or at least admit of being made, so plain and simple that men of intelligence may readily qualify themselves for their performance; and I cannot believe that more is lost by the long continuance of men in office than is generally to be gained by their experience.

Politics takes time and money and if political victory could not be made profitable, only the rich could afford to take part in running the democracy.

Jackson formalized the spoils system as a way to make democracy pay for itself. While anti-Jacksonians criticized this as open debasement of public employment, they did not hesitate to use the spoils system when the opportunity arose.

By the end of the Civil War, government at all levels suffered from inefficiency and corruption. Control of government employment enabled individuals to build political machines by trading jobs for money and support. Politicians could finance their political campaigns by systematically taxing public employees for "contributions." An employee's rate of pay often represented his value to the machine rather than the services he performed for the community. It was not unusual for persons having quite similar responsibilities to be paid radically different salaries. Spoils appointees worked for the interests of political allies, friends, and themselves. Since they had somehow paid for their jobs and would lose them for only political reasons, they had little motivation to perform efficiently.

Theodore Roosevelt, one of the first civil service commissioners, once described the spoils system in a magazine article:

> No republic can permanently endure when its politics are corrupt and base; and the spoils system, the application to political life of the degrading doctrine that to the victor belong the spoils, produces corruption and degradation. The man who is in politics for the offices might just as well be in politics for the money he can get for his vote, so far as the general good is concerned...The spoils-monger and the spoils-seeker invariably breed the bribe-taker and the bribe-giver, the embezzler of public funds and the corrupter of voters.

There is another side to the story of the political machines. Before the advent of government welfare program, political machines provided welfare (in the form of jobs and favors) and political identity to the disadvantaged of the cities. For immigrants especially, the machines provided a measure of political and economic security in an otherwise impersonal and bewildering society.

THE REFORM MOVEMENT AND THE PENDLETON ACT

Even before the Civil War, public rumblings about spoils and corruption were heard. But political machines were strong organizations designed to fit existing political institutions. Well-intentioned criticism alone was not enough to dislodge those in power. One organization and one event finally polarized public demand for civil service reform.

The organization was the National Civil Service Reform League, founded by William Curtis in 1881, a union of local civil service reform groups which had been gaining support since the 1860's. Members were well-to-do and educated citizens characterized by professional politicians as "do-gooders" and "intellectuals."

The event was the assassination in 1881, of President James A. Garfield by Charles J. Guiteau, a disappointed office seeker. Garfield's death caused public outrage; the Reform League organized it. In January, 1883, large bipartisan majorities in both houses of Congress passed the Civil Service Act (also known as the Pendleton Act.) The Pendleton Act was based on the British Civil Service. Still on the books, it has served as the model for many state, county, and municipal systems.

The Pendleton Act:

1. Placed the administration of the civil service in the hands of an independent bipartisan commission.
2. Required selection of employees in certain departments by competitive examination.
3. Forbade political solicitation of funds from public employees.

Although the Pendleton Act only affected about 10 per cent of federal employees when it was first passed, it included provisions allowing for

expansion of its coverage by executive order. By the turn of the century, the Pendleton Act covered about 40 per cent of federal jobs, and the Rampack Act of 1940 extended the federal merit system to its present status.

By 1967 thirty-four states had followed the federal government and established their own merit systems. A federal law of 1939, requiring that state employees paid with federal funds to administer the Social Security Act be employed under a merit system, greatly hastened the spread of the merit principle in state governments. The National Municipal League, organized in 1894, promoted merit systems in city governments. The Public Personnel Association, an international association of government agencies and officials, was founded in 1906 to advance enlightened public personnel practices.

ECONOMY AND EFFICIENCIES

Since the turn of the century, public interest in increasing the economy and efficiency of all levels of government has accompanied the drive for civil service reform. In 1917, the state of Illinois commissioned a comprehensive study of their state government which then included more than a hundred agencies and departments. After the study the government structure was completely reorganized. Other states undertook similar studies.

The most important studies of organizational problems in the federal government were undertaken by the two Hoover Commissions (named after President Hoover, their chairman) which reported in 1949 and 1955. Several "Little Hoover Commissions" have since made studies of state governments. Such commissions generally recommend:

1. Increased executive power for governors as executive leaders;

2. Coordination of terms of office of elected administrative officials;

3. Grouping of related functions into a reduced number of departments;

4. Fixing of definite lines of authorized responsibility;

5. Abolition of many independent boards and commissions as administrative agencies.

Personnel administration has changed with this interest in economy and efficiency. The tasks that governments undertake are becoming more and more complicated. Large cities, the states, and the federal government provide public services requiring specialized skills. For these reasons the business of public personnel administration has become much more than simply spoils prevention. In order for government to perform efficiently, it must attract and hold high quality personnel. If Andrew Jackson's belief that any intelligent man could carry on the business of government was true in his day, it is not so today.

THE MERIT PRINCIPLE IN PUBLIC EMPLOYMENT

The civil service reform movement of the nineteenth century produced a concept of public employment called the merit principle. Personnel systems based on the merit principle usually include certain characteristics intended to protect public employment from undue political influence while attracting and holding qualified employees:

1. Competitive appointment and promotion. A government job should go to the applicant who is best qualified to render the services for which he is to be paid. Employees in merit systems generally receive regular performance evaluations from their supervisors. These evaluations can be used to determine salary increases and as evidence of qualification for promotion.

2. Equal pay for equal work and non-equal pay for non-equal work. An employee should be paid for the difficulty encountered and the responsibility assumed in performing his job.

3. Political noninterference in public employment. Merit systems are designed to hire for reasons of merit, not politics. They also include regulations designed to prevent politicians and political parties from soliciting contributions from government employees. Specifically, supervisors are usually not allowed to solicit or accept political contributions of funds or effort from the employees under them.

4. An independent civil service board or commission. Merit systems are usually under the administration of a bipartisan board or commission. The board or commission is responsible for overseeing the impartial operation of the merit system.

5. Separation of the authority to screen and evaluate applicants from the authority to appoint employees. Under merit systems, government agencies appoint their own employees. A separate personnel agency, however, supervises competition among applicants and gives the appointing authority its choice from the best applicants (usually three). This separation of authority exists so that the personnel agency can impose protective checks upon the hiring authority and at the same time provide recruiting and screening services which individual agencies would have difficulty providing for themselves.

INHERENT DIFFICULTIES IN MERIT SYSTEM IMPLEMENTATION

The merit principle is an abstraction which merit systems of personnel administration are designed to implement. There are certain inherent difficulties in designing a merit system.

1. The impossibility of perfectly measuring difficulty and responsibility. The merit principle requires that employees be paid according to the difficulty and responsibility of their duties. Merit systems meet this requirement by assigning each job to a level in the government pay plan. (Presumably, the pay plan itself is set at a level to make the government able to compete in the labor market.) Pay decisions are only as equitable as the measurement of difficulty and responsibility is objective and accurate. An accoutant obviously has a more difficult and responsible job than a bookeeper who works for him. But does he have a more difficult and responsible job than an interviewer in an employment office?

2. The impossibility of perfectly measuring the merit of competing applicants. Motivation, cooperativeness, intelligence, aptitude, knowledge, experience, and formal education are qualities which indicate the relative merit of an employee. Measuring and quantifying all of these characteristics in an objective manner is difficult if not impossible. However, a system which relies too heavily on those factors that are relatively easy to measure, such as experience and formal education, tends to become based upon seniority rather than merit.

3. The possible interference between a merit system and efficient government administration. One assumption of a merit system is that some administrators will abuse their hiring authority if they are

not adequately controlled by external checks. However, these external checks can interfere with conscientious administrators attempting to run efficient agencies. A merit system should be designed to allow administrators to function efficiently without giving them such free rein that they can easily abuse their trust out of motives of self-interest, expediency, or simple carelessness.

THE ALASKAN SYSTEM

The State Personnel Act vests the Personnel Board and the director of the Division of Personnel with responsibility for establishing and operating the Alaska Merit System.

Composed of three members who serve non-concurrent six-year terms, the Personnel Board is appointed by the governor with the legislature's confirmation. Only two members of the board may be of the same political party. A vacancy in an unexpired term is filled by the governor with the consent of the legislature for the remainder of the term. "A member of the board holds office at the pleasure of the governor notwithstanding the member's term." (A.S. 39.25.060)

The Personnel Board approves or rejects amendments to the personnel rules and hears appeals by employees in the classified service. The board has "the power to administer oaths, subpoena witnesses, and compel the production of books and papers pertinent to a hearing authorized by this chapter." (A.S. 39.25.070)

Division of Personnel is within the Department of Administration and the commissioner of administration appoints the personnel director after competitive examination. The director of personnel and his staff

administer the Alaska merit system. The director's responsibilities include:

1. Preparing Personnel Rules "not inconsistent with this chapter, which are required to implement this chapter" (A.S. 39.25.050);
2. Administering the State Personnel Act and the Personnel Rules;
3. Establishing and maintaining a roster of employees;
4. Serving as secretary for the Personnel Board;
5. Ecouraging and exercising leadership in the development of effective personnel administration, employee effectiveness, and morale.

The State of Alaska employs three categories of personnel: the exempt, the partially exempt, and the classified service. Exempt positions, which are exempt from the personnel statutes and rules, include elected officials and policy-making appointed personnel. Also exempt are employees of the University of Alaska, certified teachers in the state school system, employees of the state legislature, and employees on the state ferry system who are covered by collective bargaining agreements. The pay for exempt positions is set by statute or by an agency outside the Division of Personnel.

Partially exempt service includes positions involving principal responsibility for the determination and carrying out of policy or responsibilities and duties of a type not susceptible to the ordinary recruiting and examining procedures. Examples are deputy commissioners and division heads. "Persons holding positions in the partially exempt services are not required to take examinations, qualify, or earn a place on a register, nor are they eligible for a hearing by the personnel board in the case of dismissal, demotion, or suspension." (A.S. 39.25.120) Pay for the partially exempt service is set by the Division of Personnel.

Positions in the classified service are those completely governed by the Personnel Rules and, thus, subject to the requirements and protection of the merit system. These positions are filled by competitive examination. The merit system endeavors to protect persons in these positions from political influences so that they can render efficient and impartial service.

Many agencies of the state government employ an agency personnel officer. This official is under the authority of the agency in which he works rather than the Division of Personnel. Agency personnel officers represent on-line government agencies in dealings with the central personnel office.

As the personnel agent for the state government and as protector of the merit principle, the Division of Personnel's primary activities are: (1) classification and pay, (2) recruitment and examination, (3) certification, and (4) benefits (retirement and Insurance). The division does not hire for the state; each agency hires its own employees. The Alaska merit system separates the hiring authority from the authority that assigns jobs to pay grades and evaluates applicants. The division's primary personnel function is to furnish a choice of the best applicants for a given position and then allow the appointing authority to make the final hiring decision.

THE ACTIVITIES OF THE DIVISION OF PERSONNEL

Classification and Pay

State government functions involve diverse duties and responsibilities. Related tasks are grouped so that one person can be employed to perform

them. A set of related duties to be performed by one employee is called a position. About 5,000 budgeted positions presently exist in the state government. The Division of Personnel groups positions that are substantially the same in duties and responsibilities into job classes and prepares written job specifications for each job class. Job specifications for a class include a description of typical duties and responsibilities and the training and experience required for positions in that class. The experience and education required for an applicant to compete for employment in a job class are called minimum qualifications.

In many instances groups of positions involve the same type of work but in substantially different degrees of difficulty and responsibility. These positions are organized into job classes and job classes are arranged into a job class series -- a hierarchy of jobs which perform different parts of the same operation. An example of a job class series is the Accountant Series. There are five levels of accountant jobs in the state government. Presumably, a career employee could progress through such a series.

Having assigned positions to job classes, the division attempts to assign each job class to the appropriate pay grade. The state pays according to four monthly salary schedules of 28 pay grades with step increases within each grade for meritorious service. The schedules are supposedly designed to compensate for the differing cost of living in various parts of the state. The legislature determines the level of each of the schedules.

Since 1962, the Bureau of Labor Statistics has published regular estimates of the cost of living in four major Alaskan cities. These cost of living indexes are determined by a program of price surveys covering a wide range of typical consumer purchases. They are expressed as percentages of the cost of living in Seattle, Washington.

Table 1 compares the latest BLS cost of living estimates for these four cities with the state's pay rate in the four. For purposes of comparison, Juneau is the base; the pay and cost of living in the other three towns are expressed as percentages of the Juneau rates. The table shows that, while it costs five per cent less to live in Anchorage than in Juneau, employees in Anchorage are paid one per cent more than employees in Juneau. While it costs seven per cent less to live in Ketchikan than in Juneau, Ketchikan based state employees receive the same pay as Juneau based employees. And while it costs four per cent more to live in Fairbanks than in Juneau, Fairbanks employees are paid seven per cent more.

Since the state has a policy of compensating employees according to the cost of living in different parts of the state, it would seem reasonable for the legislature to implement this policy according to the available cost of living data.

Recruitment and Examination

Recruitment is simply a program of advertisement to inform prospective applicants about positions in the classified service that are open to competition. The Division of Personnel issues a recruitment bulletin

TABLE 2

COMPARISON OF STATE PAY DIFFERENTIALS WITH BUREAU OF LABOR STATISTICS COST OF LIVING ESTIMATES

	Pay Rate Expressed as Percentage of of Pay in Juneau, Alaska	Cost of Living Expressed as Percentage of Cost of Living in Juneau, Alaska	Cost of Living Expressed as Percentage of Cost of Living in Seattle, Wash.
Juneau	1.00	1.00	1.27
Ketchikan	1.00	.93	1.18
Anchorage	1.01	.95	1.21
Fairbanks	1.07	1.04	1.32

SOURCE: United States Department of Labor, Bureau of Labor Statistics.

similar to a job specification except that it also includes pay and examination information. These recruitment bulletins are sent to all departments of state government, to newspapers, to radio stations, to members of the legislature, to postmasters throughout Alaska, and to other persons or agencies who might pass information to prospective applicants. In addition, hiring authorities sometimes recruit directly, especially for professional positions. Agencies sometimes recruit in the contiguous 48 states for personnel with specialized training and experience in short supply in Alaska.

The state administers two kinds of examinations, continuous examinations and specific examinations. Continuous examinations are given for job classes for which there are large numbers of positions. Positions in these classes could reasonably be expected to open at any time. Examinations are periodically announced and continuously publicized without a designated closing date for the receipt of applications.

Specific examinations are set up to fill one or more specific positions. Public notice is given at least thirty days before the designated closing date for the receipt of applications.

An applicant must file a separate application for each job class for which he wishes to compete. The Division of Personnel determines, by appraising an application, whether the applicant meets the minimum qualifications. The division may require reasonable substantiation of claims of fact made on the application. Applicants who so qualify are admitted to examination. The purpose of minimum experience and formal

education qualifications should be to prevent obviously unqualified persons from taking the examination. Actual employment standards are, ideally, set by the examination process itself which is supposed to be a complete assessment of an applicants suitability for the job he seeks.

Examination may consist of any combination of written, oral, physical, or performance tests which the Director of Personnel deems appropriate for evaluating applicants. Some job classes require only an examination and grading of the written application. Each examination process is scored on a basis determined by the Division of Personnel. Persons who receive a passing score earn a place on the eligible register.

The eligible register for a job class is a list of persons who have passed the examination for that job class. Applicants are ranked on the register according to their total score in the examination with all residents of Alaska ranked in order of score ahead of non-residents.

The policy of hiring Alaskans ahead of non-Alaskans is, strictly speaking, a compromise of the merit principle since a person's legal residence is not a factor in his merit as a potential employee. Veterans also receive preference in state employment; five points are added to a veteran's examination score (disabled veterans receive ten points.) Veterans preference has been a traditional feature of American public employment based upon recognition of society's debt to these individuals.

A certification is a list of the three applicants at the top of the register who have indicated their availability to fill the position under consideration. This availability is determined by a telegraphed or written inquiry. The Division of Personnel supplies a certification to the hiring authority from which that agency hires its choice.

The final screening after certification is done by the hiring authority on the theory that no system of examination is perfect and that the hiring authority should be able to make the final choice on whatever merit criteria he considers appropriate.

Although the system provides no specific procedure to assure appointing authorities make decisions for merit reasons, the Personnel Rules do require that all personnel actions be based on merit criteria.

> No action affecting the employment status of any employee in the classified service, including appointment, promotion, demotion, suspension, or removal may be taken or withheld for racial, political, national origin, religious, or other non-merit reasons. (Rule 13 06.0)

Compliance with this rule is based upon trust of administrators. It is difficult to imagine procedures which would enforce the rule without making it nearly impossible for administrators to function efficiently. However, the director of personnel does have blanket authority to enforce the rules:

> The Director may take any necessary action such as terminating or correcting the status of an employee, or bringing the employee's salary into conformance with the classification and pay plan to enforce these rules and/or to correct any appointment which is not in accordance with the law or these rules. (Rule 14 08.0)

This authority would allow the director to intervene in cases where he determined an agency was hiring for non-merit reasons.

THE OPEN REGISTER

Some blue collar jobs are filled from an open register. The open register is a list without rank of all applicants meeting the minimum qualifications. These are job classes for which it would be impractical to rank qualified applicants. For example, there are varying degrees of skill among truck drivers, but it is difficult to imagine how the division

could accurately and economically measure this skill in an examination. The appointing authority may choose anyone on the list except when there are three or more Alaskans on the register; one of them must be appointed. The open register is a compromise of the merit principle which the state allows because of the difficulty of determining reasonable and economical ways for applicants to compete. An open register is already "fixed" for the hiring authority who wants to get someone a job as long as that individual meets the minimum qualifications for the class.

It has been suggested the state affirm its commitment to merit employment by abolishing the open register. Proponents of this view say that although it may be impractical to establish examinations for these positions, certification by lot might be more equitable than the present procedure because it would give anonymous applicants some chance of being considered ahead of persons who happen to know the appointing authority. Another approach would be to rank individuals on such registers according to the date of their original certification.

ALTERNATIVE METHODS OF FILLING POSITIONS

If, because of lack of qualified applicants, it is impossible to provide certification of three names, either the position goes unfilled or the merit principle is compromised in one of three ways:

1. Provisional hire. With authorization from the Director of Personnal a hiring authority may appoint someone whom it considers is qualified pending a complete certification and appointment from a register. Without prior approval from the Director of Personnel,

the provisional appointment terminates at the end of the regular probationary period set for the position in question. (The probationary period, which each employee in the classified service must serve, is explained below.)

2. Subfilling is filling a position from the eligible register of a lower class in the same series or from a related class which the Director of Personnel deems appropriate. The Rules state that an employee subfilling in a position of a higher pay level than that of his own class "shall perform the duties of a lower classification." It is difficult to understand how an employee could be hired to assume the responsibilities of a position and yet, somehow, perform the duties of a lower classification. If an employee successfully fills a position which is classified higher than he is being paid, his right to the pay based on responsibility is being denied.

3. The director may make up a complete certification by argumenting from eligible lists of other job classes which he deems appropriate. If these other eligible lists are really appropriate, the position was too narrowly classified. The system should classify so that the maximum number of really qualified individuals will be admitted to compete for each position.

PROBATION

"The probationary period in the classified service shall be regarded as an integral part of the examination process and shall be utilized for closely observing the employee's work, for securing the most effective

adjustment of the employee to his position, and for rejecting any employee whose performance does not meet the required standards." (Rules 6 01.0)

The probationary period is one year of continuous service (six months for jobs in pay range 2 through 13). During this time the employee may be discharged without the right of appeal unless dismissal is for racial, religious, or political reasons. If the employee's performance is satisfactory, his appointment becomes permanent after probation.

DISCIPLINE AND TERMINATION

The following actions cause an employee to cease continuous active employment in his position.

1. Retirement. State retirement age is 65. With permission of the commissioner of administration, employees may continue employment beyond that age. The commissioner may grant this permission if he finds the employee capable of rendering satisfactory service.
2. Resignation. With two weeks written notice, an employee may resign from his position in good standing.
3. Suspension. An employee may be suspended without pay for delinquency or misconduct. Such action requires that the employee be given a written explanation.
4. Layoff. Layoff is the termination of employment for reasons which do not reflect discredit upon the employee's performance of his duties. Seasonality of work, or lack of funds are reasons for layoff.

5. Demotion. An employee may be demoted with just cause. He must be given the reasons in writing.

6. Dismissal. A permanent employee may be dismissed with just cause. He must be given reasons in writing for dismissal. The appointing authority is required to give no formal advance notice of dismissal. Those who think that the Rules should provide for such notice point out that an unforeseen interruption in income can provide particular hardship for employees with family obligations. Since dismissal is primarily intended as a means of removing unsatisfactory personnel rather than as a means of punishment, critics contend that two weeks written notice would be appropriate.

GRIEVANCES

The Personnel Rules specify two grievance procedures, one for general grievances and one for cases involving dismissal, demotion, or suspension for over thirty days. Both of these procedures provide employees a means of protecting their rights as employees; neither is intended as a way for employees to influence agency policy not primarily related to employment.

The general grievance procedure affords an employee an opportunity to air dissatisfaction with working conditions, other employees, or the actions of supervisors. This procedure is designed to facilitate informal resolutions.

An employee with a grievance first presents it in writing to his supervisor. If not satisfied, the employee may than consult the next intermediate supervisor or the department personnel officer. If the employee is not satisfied at this level, he may submit his complaint to the

head of his department or agency. If a decision to the employee's satisfaction is not forthcoming within fifteen days, he may request a hearing from the Commissioner of Administration.

The Commissioner of Administration establishes a grievance committee of three members - one appointed by the Commissioner of Administration or his representativeone by the organization or association of the employee's choice (such as the Alaska State Employee's Association), and one mutually agreeable third party. This committee conducts its hearing as near as practical to the city where the grievance occurred. The employee and his representative receive reasonable time to prepare a case. Hearings are informal; their purpose is merely to ascertain facts. The committee reports its findings to all parties involved. These findings carry only advisory weight.

The agency or the individual against whom the grievance was filed may appeal the committee's recommendations to the Personnel Board which reviews the case and modifies, affirms, or sets aside the findings. They may even reopen hearings.

Those who criticise this general grievance procedure contend that a grievance committee whose findings are only advisory is inadequate. They maintain that the Rules should grant the authority to make and enforce decisions to this carefully selected neutral committee. The question is whether such a committee, given access to the facts, is more likely to judge fairly than is the authority against whom the grievance was filed.

The other grievance procedure is for cases of dismissal, demotion, or suspension for over 30 days. An employee submits an appeal in writing to his division head and to the director of personnel. If the employee is not

satisfied by his division head, he may appeal to his appointing authority, and, finally, to the Personnel Board.

The Personnel Board considers the appeal and conducts hearings if the employee requests. The employee may have an attorney. If the board finds that the action in question was taken for any political, racial, or religious reason, or was in violation of the provisions of the Personnel Act or Rules, the employee is reinstated to his position without loss of pay or leave benefit of the period of his dismissal, demotion or suspension.

Although the rights of applicants for state employment are specified in the Personnel Rules, there is no grievance procedure for applicants who feel that their rights have been violated. The lack of such a procedure is severly criticised by those who maintain that a person's rights may be worth little when he has no reasonable way to enforce them.

PENALTIES FOR VIOLATION OF THE STATE PERSONNEL ACT AND RULES

Violation of the Personnel Act or the Rules is a misdemeanor. The Statutes specify that anyone who is convicted of a violation "immediately forfeits his office or position." (39.25.2.0) That the penalty section of the Personnel Rules is not enforced is common knowledge. An individual considering misusing his power as a supervisory employee of the state has to consider only the risk of having his decision reversed, not the risk of prosecution.

Indictements for criminal offences are initiated by the office of the Attorney General, appointee of the governor, and no law required the Attorney General to take this action. Those who think that unenforced laws are weak laws suggest that there is at least one solution to this problem:

The Legislature could empower and instruct the Personnel Board to initiate criminal proceedings every time they find that the Personnel Act or Rules have been seriously and purposely violated. Giving the Personnel Board such power does not interfere with the administrative efficiency of the government for it involves no additional administrative restrictions or procedures. It only threatens the supervisor who does not have a valid reason for suspending, demoting, or dismissing an employee. If an employee appeals and wins, he receives back pay, but if he looses, he receives nothing for the time it has taken him to appeal. Therefore, an employee is unlikely to appeal unless he believes he has been wronged and he can prove it.

OUTLINES OF AUTHORITY FOR THE ALASKAN SYSTEM

The State Personnel Act delegates specification of the details of the Alaska Merit System to the Personnel Rules. The procedure for making a change in or addition to the Personnel Rules is:

1. The Personnel Director prepares the recommended change and presents it to the Commissioner of Administration.
2. The Commissioner of Administration, if he approves, submits the proposed change to the Personnel Board.
3. The Personnel Board accepts or rejects the change.

This provision is a recognition that the legislature could not foresee all the detailed needs of the merit system and the professional who administers the system is best able to understand these needs as they become apparent.

There has been severe criticism of the present allotment of authority for the Alaska Merit System. Those who make this criticism maintain that the present system is weak because it delegates excessive power over state

personnel functions to the governor and his appointees, and this power is not essential to appropriately strong executive management of the state government. These critics would remove the Division of Personnel from the Department of Administration and place it under the authority of an independent Personnel Board.

Statements of the argument for an independent Personnel Board usually include the following:

1. The personnel director is presently selected by and reports to the commissioner of administration. During his year of probationary employment, the director can be removed by the commissioner without recourse to a hearing before the Personnel Board. Critics of the present system maintain that the merit system's effectiveness depends upon a personnel director who is willing to dissent from the administration whenever he thinks it is in the state's interest. The Personnel Act and Rules vest the personnel director with considerable power but do not require that he take the initiative to use that power. An administration hostile or merely indifferent to a strong merit system could prevent the personnel directorship from being filled by an individual willing to take such initiative. These critics would delegate the appointing authority for the director to the Personnel Board. This, they say, would not make it impossible for an administration to remove an inefficient personnel director, but the administration would have to make its case for removal before the Personnel Board.

2. The commissioner of administration can now block any change in the Personnel Rules by simply failing to submit proposed changes to the Personnel Board. The system's effectiveness requires that these rules be modified whenever the need for modification becomes apparent.

Proponents of the independent Personnel Board would vest the board with exclusive power for determining changes in the Rules. Proposals for changes would be accepted from the personnel director or the administration, and the board would consider the advice of all interested parties in reaching decisions.

3. The administration presently submits the Personnel Division's budget request to the legislature. A hostile or indifferent administration can significantly weaken the whole system by underfinancing it. Critics of the system would have the personnel director submit and justify his own budget requests through the Personnel Board.

4. The governor can now remove members of the Personnel Board at his pleasure. Critics contend this gives the executive inappropriate power and that removal of a board member should require legislative consent.

The major objection to the argument for the independent Personnel Board is that the governor, as the elected chief executive, should be entrusted with control of all the state government's functions.

In answering this objection, proponents of the independent Personnel Board reply that governors are politicians - men trying to control the course of events - and that it is naive to expect them to fight disinterestedly for a strong merit system, when such a merit system would work against their priorities as politicians and as administrators. The proponents of the independent board say that it makes more sense to give a bipartisan group the ultimate authority over matters of public employment. They contend that there is no reason to assume that such an independent board or their Personnel Director would be hostile to the administrative needs of the government.

FINANCING ALASKA'S PERSONAL SERVICES

Efforts to determine what it should cost to sufficiently finance the Division of Personnel are hampered by a lack of meaningful ways to make comparisons with other state systems. In order to make useful comparison, it would first be necessary to determine which other systems were adequately performing their function. To seek the average cost of all state systems would imply that the average state was adequately financed and that those above average were overfinanced. Even if it were possible to determine which states were adequately financed, some way would have to be devised to objectively allow for the higher costs in Alaska. If such allowances could be meaningfully computed, comparison could be made only with systems whose central personnel agencies performed the same parts of the personnel function as does Alaska's and whose labor market offers the same challenges. Indication of the inadequacy of Personnel Division financing comes from those who administer the system and those whom it serves.

Many critics indicate that the Alaska Personnel Division has never been able to assure compliance with the merit principle or provide satisfactory personnel services to the state government because it has never been sufficiently staffed and financed. The present Personnel Director has said that about twice the present budget and staff is required to perform the services delegated. The president of the Alaska State Employees Association estimates that "triple the present budget and staff would be required to administer the system and effectively control it. Currently, the division is merely a housekeeping organization with the capabilities of barely holding things together." Various state officials and employees have indicated that dealing with the Division of Personnel is nearly

impossible because of administrative delays caused by underfinancing.

A personnel service which is not prompt results in inefficiencies that cannot be measured but which are, nevertheless, real. The most desireable and motivated job seekers tend to find suitable employment quickly because they job hunt aggressively. The state undoubtedly looses some of its best prospects because of dealys in the recruiting, examination, and certification process. The more quickly these processes can be completed, the more often the state will be able to beat the competition to the best people.

When agencies of the state government need personnel action taken, they suffer inefficiencies until that need is fulfilled. Such inefficiencies cost even though the costs are not enumerated on financial reports.

The inherently difficult process of measuring duties and responsibilities in order to classify positions requires careful consideration and frequent review. A Personnel Division operating with about half the needed staff and budget does not have the resources to do an adequate classification job. Because the specific duties assumed by individuals within agencies change over time, the classification of a position should be regularly reviewed. At least, review of a positions classification should be made whenever the individual filling it and his supervisor think it has changed substantially. Without such review of past decisions, the pay that employees receive tends to loose its relationship to the duties and responsibilities assumed. Several sources indicate that this deterioration of classification has taken place in many parts of the state government.

The definition and measurement of merit in applicants for employment is difficult at best. But these measurements are important to the welfare of the government and the state. Alaska has a limited labor market and a serious

unemployment problem. Any screening process that eliminates people who could be useful employees tends to aggrevate the unemployment problem and limit the supply of talent available to the state government. Making examinations less and less arbitrary takes time and costs money. An underfinanced Personnel Division cannot be expected to devote sufficient resources to an ongoing program of examination improvement that the particular social and economic characteristics of the Alaskan Labor market makes especially desireable.

A COMPARISON OF ALASKA AND FEDERAL PAY

The existence of more than two federal civilian jobs for every state job in Alaska makes a comparison of state and federal pay an appropriate indicator of the state's competitive position in the labor market.

The federal government pays its Alaskan employees according to the Federal General Service (G.S.) schedule and compensates for the cost of living in Alaska with a 25 per cent cost of living allowance. This 25 per cent is exempt from federal income tax.

Table 2 compares the Alaska state and G.S. monthly salary schedules after federal income tax has been computed and subtracted. This computation of the federal income tax is necessary for meaningful comparison in order to show the real effect of the tax-exempt cost of living allowance. To deny the validity of an after tax comparison is to imply that potential employees are not primarily interested in how much they take home.

The alignment is of pay grades for the same general levels of responsibility. No such alignment would perfectly apply to all jobs. The one shown was determined after consultation with the classification and pay chief of the Division of Personnel and with the executive secretary of the Alaska State Employees Association. This comparison indicates state pay is nowhere near competitive with federal pay at any level.

Table 3 shows the percentage increase that would be needed in gross pay in Alaska's pay grades 5 through 25 to make them about equal to the corresponding federal pay grades after federal income tax were subtracted from both. The calculations assume a federal pay raise of 5 per cent.

TABLE 2

COMPARISON OF STATE AND FEDERAL MONTHLY PAY, AFTER COMPUTATION AND DEDUCTION OF FEDERAL INCOME TAX

State grades:	Southeastern	Southcentral	Central & Northwest	Federal G.S. Level	
7	390	395	416	3	424
8	413	317	439	4	472
9	443	449	473	5	523
10	476	482	507	6	573
11	504	509	536		
12	535	541	568	7	630
13	570	576	607		
14	619	626	658	8	691
15	655	661	695	9	755
16	697	704	739		
17	738	746	783	10	824
18	783	791	829	11	898
19	826	835	875		
20	877	885	925	12	1,051
21	920	929	972		
22	964	973	1,016	13	1,215
23	1,009	1,019	1,064		
24	1,055	1,064	1,110	14	1,392
25	1,101	1,111	1,158	15	1,579

NOTE: Comparison assumes one exemption and standard deduction of 10 per cent or $1,000, whichever is less.

TABLE 3

APPROXIMATE RAISE NEEDED IN GROSS PAY TO MAKE STATE COMPETITIVE WITH FEDERAL GOVERNMENT AFTER FEDERAL INCOME TAX

State Pay Grade	Percent Raise To Make State Competitive
7	15
8	21
9	25
10	25
11	24
12	23
13	21
14	19
15	19
16	19
17	20
18	21
19	22
20	27
21	31
22	31
23	41
24	55
25	75

Information about the actual raise for federal employees in 1969 was not available at the time of the study. The percentages were computed for the pay schedule used in Southeastern Alaska and are presented as a further indication of the state's competitive position.

Since turnover data has not been gathered regularly, it is impossible to know how many employees leave the state government as soon as they find an opening with the federal government. But this comparison makes understandable the contention that Alaska's Classified Service is a training ground for federal employees.

The comparison is presented as an indication of the state's competitive position in the labor market, not as an indication of what state employees "deserve" for their services. If the state cannot afford to compete, taxpayers will incur the subsequent costs in high turnover and in loss of potential talent. The state is not immune to the economic realities of the labor market; politics assuming such immunity are shortsighted.

MINIMUM QUALIFICATIONS

The essential function of minimum qualifications in the recruiting, examining, certifying, and hiring process should be to eliminate obviously unqualified persons. Presumably persons who read the recruitment bulletin and see that they do not meet the minimums do not apply. On the other hand, meeting the minimums is no assurance that an applicant will be hired, only that he will have the opportunity to compete. Minimum qualifications, therefore, save the Division of Personnel the expense of examining obviously unqualified personnel.

This definition of the role of minimum education and experience requirements is, however, not in full agreement with the current policy of the Division of Personnel. The Division appears to use minimum qualifications as a means of setting high standards. The possible consequences of attempting to set high standards of employment with high minimum qualifications should be carefully considered.

There are many characteristics which the Division of Personnel attempts to quantify when evaluating the merit of an applicant. The most readily quantifiable characteristics of a potential employee -- his formal education and years of experience -- are those stated in the minimum qualifications. Motivation and aptitude might be considered the most important traits in employees because individuals with these characteristics take the initiative to remedy their own shortcomings. Unfortunately, these characteristics are least suseptible to measurement.

A personnel officer can appraise many clues, such as school records, test results, and the recommendations of former employers, but none of them are absolute measures of motivation and aptitude.

The tendency to depend on high minimum qualifications, as measurable characteristics, to take precedence in the screening procedure over the less measureable but no less important characteristics can actually have effects opposite those desired.

The supply of potential employees in the labor market at any time is beyond the control of the Personnel Division. The division can only try to recruit the best available talent. Supply and demand tend to apply certain prices to certain kinds and amounts of experience and education. Persons whose comparatively strong experience and education characteristics

actually reflect their merit as employees will usually find employment in positions of correspondingly high pay either in government or in private enterprise. On the other hand, persons with comparatively strong education and experience requirements who are available to compete for employment at relatively low pay will tend to be deficient in the less measurable but often more important characteristics. This is how high minimum qualifications can tend to cause low overall employment standards. This is also why high minimum qualifications in job series tend to protect mediocre civil servants. Ambitious and capable employees are generally drawn to career opportunities where it is possible to progress quickly.

Since lowering the mininum qualifications actually should involve no more than allowing more persons to be examined, the result might be more accurate certification after all characteristics indicative of merit have been measured as accurately and fairly as possible. On the other hand, if the minimum requirements for a job are unnecessarily high, desirable individuals may read the recruitment bulletin and not apply even though they might have been among the best applicants when all characteristics were considered.

The contention that minimum qualifications express precisely the minimum amounts of education and experience necessary for a person to function satisfactorily in a position can lead to invalid conclusions. Strictly applied, this contention implies that, for a job whose minimum qualifications include two years of experience of a certain kind, an applicant with one year and ten months would be unable to function satisfactorily in that position though he might somehow acquire the necessary ability as soon as he had completed the two years.

A merit system could operate with no minimum qualifications at all. The difficulty would be that the personnel agency might find itself swamped with applications from clearly unqualified personnel. One solution is to have recruitment bulletins specify "desired characteristics" rather than minimum qualifications. If none of the applicants possess all of the desired characteristics but some are determined and able to function satisfactorily in the job, the best three available would be certified. In this way, the system would certify the best available talent from the labor market. If the Division of Personnel were adequately financed so it could review and strengthen the examination process, desireable characteristics approach could be developed. The state would hire the best talent available from the existing labor market as determined by the fairest possible examination without accidentially excluding potentially valuable employees.

The Personnel Division's responsibility in determining the minimum qualifications for each job class makes it possible for that agency to expand or limit the portion of the labor market able to compete for any position. The ideal policy would admit the greatest possible number of potentially useful candidates to competition.

Alaska's Personnel Division maintains minimum qualifications in certain job classes which further aggravate the state's already unfavorable competitive relationship with the federal government. Often cited as examples are the accountant and statistition series. Alaskan minimum qualifications are written so accountants and statisticians must wait two years at each level in these series before they are eligible to compete for promotion. In the parallel federal series, employees are eligible to compete for promotion after only one year.

Ideally, the division would always design or adjust minimum qualifications to be slightly less rigorous than the federal government in classes where the two are likely to compete for the same part of the labor market. This is not because the federal government designs better minimum qualifications (any such decision is somewhat arbitrary) but because the state can always afford to be flexible enough to give itself a slightly wider choice from the existing labor supply. Minimum qualifications only admit applicants to examination; those who perform best on the whole examination still are the ones certified. When specified amounts of education and experience will admit an individual to compete for higher wages or faster promotion in the federal service than in the state service, the state is certain to loose many desireable applicants.

Again, since there has been no regularly gathered turnover data, it is impossible to know the cost in turnover of comparatively high mininum qualifications and low pay. But every time a satisfactory employee leaves for a more desireable job, the state assumes the expense of recruiting, examining, certifying, and hiring a replacement, the loss of the old employee's experience on the job, and the disruption of the organization while a new employee is found and trained. These costs may be impossible to calculate exactly, but personnel policy which does not attract and hold good employees clearly detracts from long-range government efficiency.

Recruitment 3 years ago found it cost at least $1,600 to obtain a new employee.

THE COLLECTION OF TURNOVER DATA AND THE DEVELOPMENT OF A MANAGEMENT INFORMATION SYSTEM

Until this year, the Division of Personnel has not regularly collected turnover data. The division now routinely records turnover job class. Figure 1 suggests the type of data that the personnel director and his staff would find particularly helpful in dealing with turnover. The data collected on this form would be systematically stored on computer tape and would enable the director to pinpoint and analyze particular competitive problems.

The personnel director has indicated that he expects the capabilities of digital computers to contribute significantly to improving the speed and efficiency of the service which his agency provides to the state. Every effort should be made to utilize the state government's computer facilities to aid the personnel function.

If a bank of historical information about the state's personnel needs could be developed from which regular reports could be compiled, all agencies involved in education and manpower training in Alaska would be able to make decisions and give advice to clients based upon specific knowledge of at least one important part of the labor market. Such regularly collected and disseminated information could form the basis for later developing a comprehensive labor market information system which would be a useful tool in many facets of the endeavor to deal with unemployment.