

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982

2147 ST SB 793- SB 838

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AS A UNIT IN THE ORIGINAL DOCUMENT.**



Unique - even in Alaska

THE CITY OF WHITTIER

8 December 1981

Commissioner Robert Ward
Department of Transportation
and Public Facilities
Pouch Z
Juneau, Alaska 99811

Re: \$85,000.00 Shuttle Track Changes Grant

Dear Commissioner Ward:

The matter of acceptance of the referenced \$85,000.00 Shuttle Track Changes Grant has come up at two Whittier City Council meeting and been tabled at both sessions. The reason for this has been frankly that Whittier did not have enough information about the grant, and the City Council wisely deferred the matter until I was able to make inquiries and obtain additional information concerning the grant.

We could not locate in our files any application for such funds. As it turned out the City of Whittier had never applied for such funds. Upon making inquiries to our State representatives, it was determined that we could not change the purpose of the grant to construction of facilities or improvements that was more to our chosing.

Last week I had a discussion with the Chief Engineer of the Alaska Railroad, Mr. Francis C. "Obie" Weeks, and traced down the grant application as having been made by the Alaska Railroad.

The Alaska Railroad
DEC 11 1981
OFFICE OF
GENERAL MANAGER

Letter to Commissioner Ward - 8 December 1981

(See letter to Commissioner Ward from Frank Jones, Alaska Railroad General Manager, dated 15 September 1981; see also letter to Senator Dankworth also from Mr. Jones dated 29 January 1981 at page 3, third paragraph.)

The manner in which the grant was issued appears to be very irregular. It is almost as if Whittier is being asked to "launder" funds given by the State to the Alaska Railroad - i.e. the Federal Government. This is not to deprecate the purpose of the grant, but only to call into question the manner of the grant issuance and the proposed mode of administration.

The City of Whittier does not wish to be placed in the position as a "spoiler" of a clearly beneficial public capital improvement. But neither does the City of Whittier want to be used as some sort of back door conduit for State subsidization of the Federal Government.

One of the fundamental precepts of a government of a free people is that the government must be fully accountable for public expenditures.

How can the City of Whittier be accountable for the expenditure of funds over which we have no say, for which we did not make application, which benefits a much broader class of the public than the City of Whittier itself, (e.g. Anchorage, State tourism, etc.) and which are merely passed through our hands with no discretion on Whittier's part?

Whittier is placed in a double bind by this predicament.

Letter to Commissioner Ward - 8 December 1981

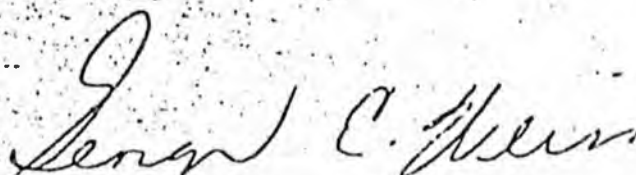
If we accept the funds for pass through without raising questions, we may be discredited from applying for additional funds for some other railroad related project of our choosing in the future under the rationale that we have already received our due under the \$85,000.00 grant.

If we do not accept the funds for pass through, we are cast in the role of a spoiler, and thus discredited from applying for future funds because of our failure to cooperate.

I would appreciate any advice which you could offer to the City of Whittier with regards to this particular grant. I shall keep you posted of any actions by the City Council.

Thank you for your time and consideration.

Sincerely,



George E. Weiss
Whittier City Manager

cc: Frank Jones, Alaska Railroad
Senator Jay Kerttula
Senator Ed Dankworth
Representative Betty Cato
Whittier City Council
Senator Mike Colletta



file - PRINCE WILLIAM SOUND
- WHITTIER

Anchorage Convention & Visitors Bureau
Plaza 201 East Third Avenue (907) 276-4118
Anchorage, AK 99501

October 8, 1981

Senator Vic Fischer
Alaska State Legislature
221 East Seventh #204
Anchorage, AK 99501

Dear Senator Fischer:

Thank you for joining with myself and members of the ACVB Board of Directors and staff on the site inspection of Whittier access to Prince William Sound. I hope that we were able to share some understanding for what will be a major issue.

I promised to review in writing some of the points that were discussed during our summary aboard the Glacier Queen II:

- * The delays of the day were not prearranged or for that matter unusual. Thousand of visitors to Alaska are inconvenienced this way each year.
- * The DOT Study of the problem (summary enclosed) is seriously flawed. The study examines six alternatives to Whittier access. Unfortunately, visitor demand is drastically underestimated and therefore the cost effectiveness of the "better" access alternatives is not properly presented.

On page S-11 of the study summary, it should be corrected that Anchorage already experiences 700,000 visitors a year. It will pass the number projected for the year 2000 in 1985. The study should also be corrected to show that 70% of the visitors to Alaska visit Anchorage rather than the 47% shown. This is documented in state studies done in the late 1970's.

However, the major flaw in the study occurred when it used the amount of developable Whittier land as the constraint for visitor demand. This approach assumes that visitors now and in the future will stay in hotels in Whittier. This is not the case now, nor will it be in the future. The attraction is Prince William Sound. Visitors have proven that they would rather stay in the already well-developed hotel base in Anchorage and experience the Sound as a one day activity. While we are certain that additional lodging facilities in the Prince William Sound area will be developed and can be properly and successfully marketed, it is clear that the growth market for visitors will continue to be those people that want

Senator Vic Fischer
Alaska State Legislature
October 8, 1981

PAGE TWO

to experience the Sound as quickly and conveniently as possible so that they can move on to other attractions and activities the next day without the hassle of changing hotels and traveling long distances. The only constraint on visitor development as it relates to the Sound is Whittier access not Whittier's potential for development.

* We suspect an underlying political consideration to the DOT study. Many people feel that Valdez will vehemently oppose access to Whittier because it will undercut traffic through Valdez. While there is every indication that this unfortunate concern may have influenced the recommendations of the study, it is even more tragic because it demonstrates further a lack of understanding about visitors to the Sound.

The people that visit the Sound through Valdez are seeking a special experience and there is every evidence that they will continue to seek that experience after Whittier has better access. Those visitors are either coming from Tok to Anchorage and transit the Sound because it is beautiful and convenient or they are seeking a one day cruise combined with a one day motorcoach tour from Valdez to Anchorage.

The vast majority of visitors to Anchorage and Alaska are denied the Prince William Sound experience because they don't have the time, money or inclination to experience the Sound the way it must be experienced through Valdez. Better access through Whittier will not impact Valdez. That market segment will continue to grow and flourish. However, Whittier access is essential if we are to broaden the visitor season into the spring and fall and reach the vast "baby boom" market that seeks shorter, one day, less travel intensive experiences. This is the market that is now being reached by the ACVB and the state through very successful visitor promotions. If we are to continue to develop jobs and visitor spending, it is also important that we be able to provide the experiences they are seeking.

* Anchorage has a high stake in visitor development. Not only is the ACVB the largest non-profit contributor to the State's cooperative marketing program, but we now spend over a million dollars each year promoting Anchorage and southcentral Alaska as a visitor destination.

Recent studies also show that the Anchorage area is in the best position to expand the Alaska visitor season because it has good or potential access to the State's most popular attractions...Mt. McKinley, glaciers, wildlife, the railroad and marine cruises. Better access will mean that these attractions can be better positioned to draw visitors during more months...creating jobs, making others year round and spreading purchasing power.

While the ACVB has been most concerned with this problem because we are involved in the promotion and service of Anchorage and southcentral Alaska as a visitor destination, we have approached other organizations as well.

Senator Vic Fischer
Alaska State Legislature
October 8, 1981

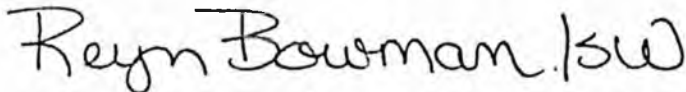
PAGE THREE

Following our lead, the Alaska Visitors Association, a chamber of commerce type organization for visitor companies, endorsed the concept of improved access to Whittier during their annual meeting last year. Within the next few months, we expect that the Anchorage Chamber of Commerce and Commonwealth North will also focus on this issue. We know that while access to Prince William Sound will have an important impact on visitor development, we also realize that it will also impact shipping, public safety, national defense and recreation/quality of life for a majority of Alaskans.

I hope that you will work together with other Anchorage based legislators during the next session to find a solution to the problem of access to Prince William Sound. If there is anything that the Anchorage Convention & Visitors Bureau can do to assist, we are ready.

Thank you again for your concern and dedication.

Sincerely,

A handwritten signature in cursive script that reads "Reynol E. Bowman" followed by the initials "RSW".

Reynol E. Bowman
President

REB:sw

Enclosure



The hotel
Captain Cook

P.O. BOX 2280, ANCHORAGE, ALASKA 99510
PHONE (907) 276-6000

WALTER J. HICKEL II
EXECUTIVE VICE PRESIDENT

December 28, 1981

Honorable Vic Fischer
221 E 7th Avenue, #204
Anchorage, Alaska 99501

Dear Senator Fischer:

Thank you very much for inviting the Anchorage Convention and Visitors Bureau to present testimony before your committee.

Brince William Sound has the potential of becoming as popular as Mount McKinley is now to our visitors. The only catch being the lack of fast and efficient transportation to and from Whittier.

The Board of Directors of the ACVB has made this access problem a top priority for 1982. If we can offer any further assistance on our part, please Senator, give me a call.

Sincerely,

THE HOTEL CAPTAIN COOK

Walter J. Hickel II
Executive Vice President
Chairman of the Board
Anchorage Convention and Visitors Bureau

WJH:jfb

cc: Reyn Bowman, President
Anchorage Convention and Visitors Bureau



BOOMING
ANCH. CONU + Visitors
BUREAU

Anchorage Convention & Visitors Bureau
Plaza 201 East Third Avenue (907) 276-4118
Anchorage, AK 99501

December 15, 1981

Mr. Chairman, members of the committee and staff, my name is Reyn Bowman. I am president of the Anchorage Convention & Visitors Bureau. I am sorry that I will not be able to deliver this testimony in person. Unfortunately, I will be out of town on business on December 15th.

The Anchorage Convention & Visitors Bureau is an independent, non-profit, visitor development organization. For some time, our research has revealed that Prince William Sound has the potential to become one of Alaska's most popular and most accessible attractions. The reasons are becoming more and more obvious as we progress into the 1980's.

Marine cruise experiences are sited as a "high priority" by 9 out of 10 potential visitors to Alaska. But the traveler of the 80's also wants shorter, more intensive, more frequent trips with more seasonal variation, and a greater mix of passive and active experiences. Prince William Sound is a natural. It offers everything the more traditional Alaska cruise experiences do, but it is more easily accessible from a major entry point and physical plant...Anchorage.

An experience in Prince William Sound can be provided less expensively, on a shorter time frame than other trips and still leave time to get back to a nice hotel for a full evening and a different activity the next day. The only drawback is access.

ICNVB
Professional Member

International Association of
Convention & Visitor Bureaus

Whittier Access Testimony
December 15, 1981

PAGE TWO

Presently, it is very difficult to visit Prince William Sound on a convenient one day trip. It is only truly accessible during the summer months although its attractions can be provided from April through October. The traditional trip requires a visitor to spend two days to experience the Sound and only one of those days is spent on a cruise. In addition, visitors are frequently inconvenienced by priority conflicts with the railroad.

The ACVB feels that a highway should be built to Whittier that will enable year-round, convenient access to Prince William Sound on a one day basis. The visitors that want the summer only two day experience will still have it, but the great majority of visitors that do not have the time, money or inclination for the traditional trip will now have an opportunity to experience a very special part of Alaska.

It must be clarified that improved access through Whittier will not undermine the two day tours of Columbia Glacier through Valdez. Valdez will continue to be an attraction for those visitors transiting from central Alaska to Anchorage and it is highly unlikely that a person wanting a two day trip will buy down to a one. But improved access to the Sound through Whittier will indeed make this great attraction accessible to the majority of travelers that now miss the marine experience altogether.

As you know, a recent study by the Department of Transportation recommended against a highway. Unfortunately, the study was flawed with respect to

Whittier Access Testimony
December 15, 1981

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visitor projections and tour formats. The study used the land development potential of Whittier as a base for upper limit visitor demand. The study did not recognize that very few visitors stay overnight in Whittier. For most, the Sound experience will be a one day outing with a return to Anchorage.

Anchorage already has 700,000 visitors each year. More than 75% of the visitors to the state include Anchorage. We expect to reach 1 million visitors per year by 1985. Access to Prince William Sound will provide a convenient, controlled attraction for these visitors and the visitors will help the highway be cost-effective.

We think there are other reasons for a highway to Whittier. National defense, shipping, resident quality of life and recreation, and many others must be taken into account. We hope that we have successfully voiced our belief in this area and its great potential and we appreciate the opportunity to present this testimony.

WANDERING STAR

Alaska Maritime Wilderness Cruises

Testimony of Carl Gidlund
Before Parks & Recreation Subcommittee,
Senate Resources Committee

Anchorage, Alaska
December 15, 1981

Good afternoon Senator,

My name is Carl Gidlund. I am an Anchorage resident, a recreational boater out of Whittier and the owner of two vessels engaged in the tourist trade out of that port -- the six passenger Wandering Star, and the 30 passenger Northern Star coming on line in the spring. Incidentally, I am a director of the Alaska Visitors Association.

In terms of both recreation and business, a road must be pushed through to Whittier -- or provision made to use the railroad tunnels for vehicular traffic -- at the earliest possible opportunity.

As you know Senator, from personal experience -- the legislative familiarization trip conducted by the Convention and Visitors Bureau -- train service is very unreliable. Delays of an hour or more are common and two and three hour delays are not unheard of. When you have a customer who has paid up to a hundred dollars for a five hour trip on the Sound, he can get mighty irate when he's cheated of almost half that time. It reflects badly on your business, on our Alaska tourism industry, and it's a situation over which we have no control.

Because there's no other way but the railroad in and out of Whittier, the Anchorage recreationist with the trailerable boat doesn't have an enjoyable weekend on the Sound. First he must leave work early on Friday to get in line at the train in Portage. Lines are long, and unless he gets his boat on the train Friday night, he will have to wait until the following morning, at least, on the siding, if he misses it. The situation repeats on Sunday. He must pull out of his anchorage early that morning, scoot back to port, get in line for the evening train by about 1:00 p.m. If he doesn't, he'll be there until the next day.

Now that's a potentially fine, long relaxing weekend shot while you sweat it out in lines. Several friends of mine have given up on the Sound -- the loveliest water in Alaska -- and now boat out of Seward and Homer. Even though they're farther from Anchorage, it's a lot more convenient to get there, and faster too -- especially to Resurrection, and often, to Kachemak.

During the winter we who leave our vessels in Whittier must have a position, rather than a job. When we have work to do on a boat we have to give up at least two days if the job is going to take more than three hours. That's

because the train runs only three (3) days a week; it remains in town only 3 1/2 hours maximum; and, by the way, that's when it's pitch dark outside. And, if you can begin and end any job on a boat within three hours, you're a lot handier boatman than I am.

To repeat, a road, or some means of providing do-it-yourself vehicular access must be provided as soon as possible.

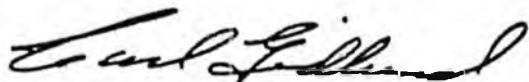
As an interim measure, however, we ask for a daily early-morning train schedule to Whittier from Anchorage at least during the summer. I say this primarily from a business point of view, but it would have benefits to the residents of Whittier and recreationists as well.

As it is now, the very earliest any summertime tourist can get to Whittier for a day trip is two in the afternoon. Well, the day's obviously more than half over by that time. And in late August and September, when it gets dark early, he and she are cheated of the sight of some of the most magnificent scenery in the world.

Ideally, we would like to see a train leave Anchorage at eight in the morning with arrival in Whittier at ten. Late afternoon or early evening departures would permit a fine day on the Sound, a visit to Whittier, a leisurely meal before returning to Anchorage.

In summary, we ask for a road from Portage to Whittier as soon as possible. Without it, its recreational opportunities will never be realized -- for Alaskans, for visitors. Until it's built, we ask for better railroad schedules.

Thank you,



Carl Gidlund



ALASKAN WILDERNESS SAILING SAFARIS

P.O. Box 701 • Whittier, Alaska 99693 • Phone: (907) 277-0160 (message)

WINTER ADDRESS:

P.O. Box 2236 • Valdez, Alaska 99686

December 23, 1981

Sen. Vic Fischer
Parks and Recreation Subcommittee
511 West 4th Ave., Suite 5
Anchorage, AK 99501

Dear Senator Fischer,

Thank you for inviting comments on the recreational potential and development of Prince William Sound. As Alaska's oldest and largest charter sail business and pioneers in the recreational development of Prince William Sound, we appreciate this opportunity to express our views.

Alaskan Wilderness Sailing Safaris is devoted to providing high quality wilderness boating and hiking experiences to Alaskans and visitors. Since the adventure travel segment of the tourism industry continues its rapid growth even during the difficult economic times of recent years, we feel that wilderness-oriented recreational development is the highest use of the Prince William Sound/Chugach National Forest region. As you undoubtedly know, the wilderness resource is a non-renewable and dramatically shrinking US resource, while demand for it is rapidly increasing among all age groups. You may not know that Prince William Sound represents one of the finest wilderness cruising areas in the entire US (including Alaska), because of its absence of strong tidal currents. Sailors, kayakers, canoests all use the area for professional and personal recreation.

We strongly support formal wilderness classification under the National Wilderness Preservation System for the Forest Service's proposed Nellie Juan Wilderness Study Area and the College Fiord/Columbia Glacier Wilderness area including the shoreline from Pigot Pt. to Point Freemantle.

Whittier access alternatives: As a business, we have successfully used the Alaska Railroad for the past eight years much to the delight of our Alaskan and non-Alaskan guests. We support the present transportation system as adequate to existing needs and more cost effective than alternative proposals.

SAILBOAT CHARTERS:

Guided Flotilla —
Bareboat
Lessons
Skippered Cruises

SPECIAL CRUISES:

(College Credit Option)
Sailing Lessons
Whale Watching
Natural History

SAILBOAT SALES:

Dealers for:
Tanzer: 16, 22, 7.5
San Juan: 21, 24, 28, 34
Nordic Yachts: 40, 44

Boat Moorage and Service Facilities: We support the development of different types of recreational facilities in the PWS region, but believe these should be done through working with the Chugach National Forest's Land Management Planning process so that present users who have spent considerable time and money developing the wilderness recreational potential of the area are not adversely affected.

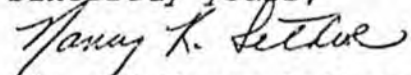
We also believe that private, not state funds, should be used in the development of recreational facilities. As a business that has done all its own feasibility, advertising, resource development, etc., we do not support the use of state funds to develop recreational or tourist facilities. If they are cost effective, then private enterprise will develop them.

In the lower 48, private enterprise is developing boat moorage facilities. This should be the model for Alaska. Recently, the Los Angeles Times ran an article criticizing the State of Alaska for its use of state funds maintaining that the State was so oil rich that it could waste its revenue on developments like the Dankworth Latouche project, over the objections of area residents. We do not think the State of Alaska should jeopardize in Congress its current federal benefits by initiating or passing legislation such as the Latouche project. We strongly encourage you to introduce legislation to repeal funding for the Latouche project.

Provisions for Tourism Services: Although we believe in privately funded tourism development and services, we do feel there are areas where conflicting uses of state resources demand that the state take a role to protect its resources. Over the past decade, we have witnessed and heard reports of harassment of marine mammals, eagles, and other marine and shore wildlife, including birds. We have personally witnessed recreational boaters permitting, even encouraging, their children and dogs to chase spawning salmon in the streams and intertidal zones. We have watched with dismay the proliferation of heavy duty plastic garbage bags along the shoreline (filled with garbage). To protect the State's fisheries and wildlife resources, we feel that the State should put up displays at all State boat harbors and ramps explaining State and Federal Laws to boaters, educating boaters on the salmon spawning process and the importance of not disturbing spawning salmon, and encouraging boaters to bring their garbage bags back to the port facilities rather than dumping it overboard or caching it along the shorelines.

Thank you for your interest in developing Prince William Sound. We hope you will work with us to promote the development in a way beneficial to us all.

Sincerely yours,



Jim and Nancy Lethcoe

Testimony of H. J. Musiel

I am H. J. Musiel, Chairman and Chief Executive Officer of Westours, Inc. I have been in the travel industry continuously since 1945 and associated with Westours, Inc. since 1951. During my 30 years with Westours I have been almost totally involved in the development, marketing and sale of tourist travel to Alaska. In addition to this corporation interest I have served on the Board of Directors, including two terms as President, of the Alaska Visitors Association since 1960. The AVA also addresses itself to Alaska tourist travel development.

I.

THE BUSINESS OF WESTOURS, INC. Headquartered in Seattle, Washington, Westours is the largest wholesale operator of "package tours" to Alaska. We estimate that approximately 65% of all those people traveling on package tours to Alaska, travel on a Westours' package, either F.I.T. or group. In addition to tour operations, Westours also has complete marketing, sales and reservations responsibility for the largest capacity of Alaska Inside Passage cruise ship accommodations than any other one operator. In addition to tour and cruise operations, Westours owns and operates three hotels in Alaska and the Yukon and the largest fleet of highway and sightseeing motorcoach equipment in the North Country. These operating assets have been developed over our 34 years involvement in the Alaska tourist business for the primary purpose of accommodating those people traveling on our package tours.

II.

ALASKA CRUISES VS. ALASKA TOURS. We estimate that in 1981 there were a total of 41,000 people traveling on Alaska package tours. Cruise ships serving Alaska in 1981 offered a capacity of 86,000 berths to the travelling public. We estimate that only 25% of the total Alaska cruise berth capacity was utilized on a one way basis as a component of an Alaska air/sea package tour and the balance was sold on a roundtrip cruise basis.

III.

AIR TOURS VS. AIR/SEA TOURS. Throughout the history of Westours, the company has offered Alaska package tours including air transportation to and

from Alaska with no cruise ship component included as well as air/sea tours which include a cruise component to or from Alaska. Historically, the sale of "air tours" has accounted for only 3.4% of Westours total package tour business. We, therefore, are of the firm belief that the water related or "cruise" experience as an inclusion to Alaska package tours is of paramount importance to the sales appeal of package tour offerings.

IV.

PRINCE WILLIAM SOUND AS A "WATER EXPERIENCE" VS. INSIDE PASSAGE. In

1982 thirteen cruise ships are scheduled to make 149 cruises to Alaska providing a total cruise capacity of 99,337 berths. One hundred twenty five of the scheduled sailings with a capacity of 73,197 berths will visit southeast Alaska only. Overall, a very small percentage of those people who have at least somewhat been motivated to visit Alaska because of a water experience, will see more of Alaska than three or four port towns or cities at which their cruise ship calls, and for a very limited time at each port. Further, the average cost for an Alaska cruise in 1982 will be approximately \$200.00 per day per person.

It is the opinion of Westours that Prince William Sound has the potential of providing a water related vacation experience that, with proper consumer awareness and unlimited access, could rival Alaska's Inside Passage in consumer demand. We also believe that water related services and activities that could be readily developed within Prince William Sound would have appeal to a far greater potential market than cruises of the Inside Passage aboard a cruise ship and be of far greater economic benefit to Alaska.

V.

REQUIRED WHITTIER ACCESS. Westours has for several years been featuring a travel routing for tourists between the Yukon and Southwestern Alaska involving our motorcoach service between Whitehorse and Valdez, water transportation between Valdez and Whittier and our motorcoach service in combination with the Alaska railroad between Whittier and Anchorage via Portage. Since 1975, tourist traffic over the water route between Valdez and Whittier has had an average annual increase of 14%. To accommodate this increase, our company encouraged the development and inauguration of day boat type service between Valdez and Whittier in each direction to augment the service of the Alaska state ferries. All of those passengers using the aforementioned Valdez/Whittier water service include visits

to and stopovers in many other Alaska communities in the course of their tour itineraries.

In addition to our aforementioned use of a cruise in Prince William Sound from Whittier as one terminal for the cruise in our tour programs, we envision many other uses of the Prince William Sound area as a vacation experience to encourage increased development of Alaskan tourism. During the summer of 1979 I, in the company of the Regional Director of the National Forest Service, made a complete survey trip of the Prince William Sound area between Whittier and Valdez. The result of this survey was a complete conviction that there were many obvious opportunities for development of new and different travel experiences in the area that we are confident would have great appeal not only to our present market but to new markets which we so very much need to develop for real growth. In all of our considerations, the primary obstacle to total confidence and enthusiasm was the limited access to and from Whittier.

It appears to the writer that the "Whittier Access Study" prepared for the State Department of Transportation, primarily addresses local traffic potentials and use of Whittier as a ferry terminal and/or a pleasure boating terminal. It does not appear to me that appropriate consideration was given to the potential that improved Whittier access could provide for greatly increased tourism from outside of Alaska to not only the Prince William Sound area but all of Alaska. We do not believe that the ferry service should be considered as a limiting component and are of the firm belief that a major potential exists for such additional activities as:

1. Increased water sightseeing excursions between Valdez and Whittier in each direction.
2. Mini-cruise ship operations with vessels that could provide cruises of one or more nights in Prince William Sound with complete facilities available aboard ship.
3. Development of lodges and resorts that could be served by regular scheduled water and/or air transportation for people while traveling enroute between Whittier and Valdez in either direction.
4. One day water sightseeing excursions from Whittier as well as Valdez.
5. Whittier as a regular cruise ship port offering overland shore excursions to Anchorage and other points of interest.

In reviewing all of the suggested alternatives for improved access to Whittier, it is our considered opinion that only unrestricted highway access to Whittier would justify the investments necessary to accomplish the aforementioned potential development, and more.



Alaska State Legislature

Senator Vic Fischer • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

MEMORANDUM

TO: Sen. Bill Ray
FROM: Sen. Vic Fischer *Vic*
DATE: March 3, 1982
RE: SB 793--Whittier Access

Enclosed for your information is an Anchorage Assembly resolution supporting improved access from Portage to Whittier, development of Shotgun Cove and (!) construction of a small boat harbor at LaTouche Island.

cc: Sen. Gilman
Sen. Kerttula
Sen. Dankworth
Sen. Sackett

APPROVED

Date:

2-2-82

Submitted by:

Assemblyman Don Smith

Prepared by:

Municipal Clerk's Office

For Reading:

February 2, 1982

ANCHORAGE, ALASKA

AR NO. 82-40

A RESOLUTION OF THE ANCHORAGE ASSEMBLY SUPPORTING BUDGET PROPOSALS TO FUND IMPROVED RAIL SHUTTLE SERVICE BETWEEN PORTAGE AND PRINCE WILLIAM SOUND FOR RECREATIONAL DEVELOPMENT.

WHEREAS, the Prince William Sound Region is one of the most magnificent and spectacular areas in Southcentral Alaska and has become a major tourist attraction and recreational area, and

WHEREAS, this area would be readily accessible to over one-half the population of Alaska if reasonable highway access were provided, and

WHEREAS, improved access is particularly important to the people of the Anchorage Municipality, inasmuch as over 6,000 pleasure boats are registered in the Anchorage Area and the small boat harbor is being tripled in size, and

WHEREAS, the Alaska Marine Highway has indicated an intention to increase the level of ferry service to Whittier from Southeast ports if ready access is provided to Anchorage, and

WHEREAS, there are currently proposals before the Legislature to appropriate funds to initiate construction of a highway from Portage and Bear Valley and to provide frequent and convenient shuttle service through the tunnel, until a permanent highway connection can be completed.

NOW, THEREFORE, BE IT RESOLVED, that the Anchorage Municipal Assembly endorses and supports budget proposals to fund recreational development in Prince William Sound, including the following:

1. Construction of a road from Portage to Whittier, or in the alternative, substantially expanded rail service.
2. Construction of a road, or ferry service from Whittier to Shotgun Cove and development of a small boat harbor.
3. Construction of a small boat harbor at LaTouche Island.

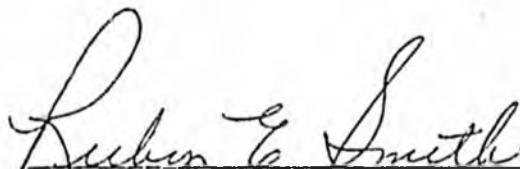
AND, BE IT FURTHER RESOLVED, that copies of this resolution be sent to all members of the Legislature and to Governor Hammond.

PASSED and APPROVED by the Anchorage Assembly this 2nd day of February, 1982.



Chairman

ATTEST:


Municipal Clerk

S

B

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SENATE TRANSPORTATION COMMITTEECOMMITTEE REPORT - SB 824

The Transportation Committee has considered SB 824, relating to the establishment and operation of in bond merchandise businesses at state owned and operated international airports. The purpose of this report is to express the Committee's understanding of the purposes of the bill and to make clear the Committee's intent with regard to certain aspects of the bill.

In bond merchandise, which includes merchandise of foreign origin (not manufactured in the United States) and United States alcoholic beverages and tobacco products handled in bond, is sold to foreign-bound passengers. For a number of years, the state has entered into exclusive contracts authorizing the establishment and operation of an in bond merchandise business at each of the state's international airports. These exclusive contracts have been extremely beneficial to the state by providing substantial revenue to the state, increasing employment in the state, and aiding the tourism industry, while at the same time facilitating the orderly administration of the state's international airports. For the reasons stated in Section 1 of the bill and elaborated upon by the official of the Department of Transportation and Public Facilities who testified before the Committee in support of the bill, the Committee believes that conferring exclusive rights for the establishment and operation of an in bond merchandise business at each international airport is good state policy.

Recently, legal questions have been raised concerning the granting of exclusive in bond contracts. This bill is designed to resolve any legal questions once and for all with regard to all existing and future exclusive in bond contracts. In particular, SB 824 is designed to ensure that "state action" immunity from the operation of the federal antitrust laws (see California Retail Liquor Dealers Assn. v. Midcal Aluminum, Inc., 445 U.S. 97 (1980)) exists with regard to the establishment and operation of in bond merchandise businesses at international airports in the State of Alaska, including the conferral of exclusive rights in this field. Thus, the bill clearly and affirmatively states that it is the policy of the State of Alaska that only an exclusive contractor be allowed to offer to sell, sell and deliver in bond merchandise at each international airport, and that the Department of Transportation and Public Facilities may not permit, nor confer any right upon, any other person to offer to sell, sell or deliver in bond merchandise at any international airport. In addition, the bill requires the issuance of exclusive in bond contracts in the future, and requires that the Department actively supervise the operations under each exclusive in bond contract. SB 824 is also specifically intended to, and does, provide an express immunity and exemption from the operation of Alaska's antitrust laws A.S. 45.50.562 et. seq., and any other applicable state laws, with regard to the subject matter of the bill. See e.g., Section 1(e) of the bill. By providing these

immunities and exemptions, SB 824 will enable in bond merchandise sales in Alaska to continue to be maximized, thereby maximizing the state's revenue from this source and providing the other benefits described above.

The Committee also intends that the exclusive rights mandated under Section 2 of this bill do not apply to deliveries of in bond merchandise as cargo to airlines. As defined in Section 4 of the bill, cargo is intended to have four characteristics. First, cargo is carried by an airline in return for payments made by the shipper to the airline, which payments are computed by reference to a specific cargo tariff; in contrast, the carriage of baggage is included in the price of a passenger ticket (with any additional charges computed on the basis of the excess number of pieces and baggage, or the excess weight of baggage, to be carried, according to an excess baggage schedule). Second, cargo is carried under an airway bill, rather than under a passenger ticket. The portion of the definition of cargo that refers to goods carried "under an agreement between the shipper and the airline other than a passenger ticket" is intended to include these two characteristics. Third, cargo is accepted, carried and handled at facilities, and under procedures, different from those used for baggage. Finally, cargo is delivered by the airline at the destination airport to a facility (e.g., an air cargo terminal) separate from that which receives baggage to be delivered to deplaning passengers, and is not brought to a baggage claim area, but must be picked up by the consignee at the facility described above. To qualify as cargo, all of these criteria must be satisfied.

Dated March _____, 1982.

Senator Ray
Chairman

Senator

Senator

Senator

Senator

STATEMENT OF BERTRAM L. WAGNON
BEFORE SENATE TRANSPORTATION COMMITTEE
ON SENATE BILL NO. 824

My name is Bertram L. Wagon. I am Assistant Deputy Commissioner with the Department of Transportation and Public Facilities. I present this statement on behalf of the Administration in support of Senate Bill No. 824, which was introduced in the Senate on March 2, 1982.

Senate Bill No. 824 concerns the in bond merchandise business in Alaska. In bond merchandise includes a wide variety of merchandise handled in bond, including:

1. Merchandise of foreign origin which because of its in bond nature, such merchandise is not subject to United States Customs duties; and
2. United States alcoholic beverages and tobacco products. Because of its in bond nature, such merchandise is not subject to United States Internal Revenue excise taxes.

In bond merchandise is sold only to foreign-bound travelers.

Since 1969, under contracts executed by the department, an in bond merchandise concession has been operated at Anchorage International Airport. In addition, since 1971 successive contracts have covered an in bond merchandise concession at Fairbanks International Airport. These contracts have accorded exclusive rights upon the persons contracting with the department.

In the view of the department, the results under these exclusive contracts have been successful for the state, in that they have provided substantial revenue

airport operations. Recently, however, legal questions have been raised concerning the granting of these exclusive contracts. It is the purpose of Senate Bill No. 824 to resolve once and for all any such legal questions, and thereby to ensure that the state is able to continue to enjoy the substantial benefits resulting from exclusive in bond contracts.

The Supreme Court of the United States has held that, under the "state action" doctrine, conduct that is (1) clearly articulated and affirmatively expressed as state policy, and (2) actively supervised by the state, is immune from the operation of the federal antitrust laws. Senate Bill No. 824 is designed to ensure that such immunity exists with regard to the establishment and operation of in bond merchandise businesses at international airports in the State of Alaska, including the long-standing policy of exclusive rights and contracts in this field. Thus, the bill clearly and affirmatively expresses that it is the policy of the State of Alaska that solicitations of sale, sales and deliveries of in bond merchandise at the state's international airports be made only pursuant to exclusive contract; the bill specifically provides that only a single contractor shall be allowed to offer to sell, sell and deliver in bond merchandise at each international airport, and that the department shall not permit, nor confer any right upon, any other person to offer to sell, sell or deliver in bond merchandise at any international airport.

Accordingly, this bill is designed to ensure that the in bond merchandise business is protected by the "state action" immunity. Moreover, Senate Bill No. 824 is specifically intended to, and does, provide an express immunity and exemption from the operation of Alaska's antitrust laws.

In short, this bill will allow the present and future exclusive in bond concessions to operate without fear of such legal attacks.

Payments for the right to sell and deliver in bond merchandise to foreign-bound passengers at international airports go to the International Airports Revenue Fund. These payments comprise a substantial portion of the monies directed to the Fund, and therefore are a major factor in defraying international airport operating expenses, supporting international airport improvement programs and securing international airport revenue bonds. Absent the conferral of exclusive rights upon the in bond contractor at each international airport, this flow of revenue would be substantially reduced. The in bond concession payments are largely dependent upon the amount of in bond merchandise business done at the state's international airports. And, it is our view that maximization of such business is contingent upon the granting of exclusive rights to the contractor at each international airport; allowing any other person to offer to sell, sell or deliver in bond merchandise at any international airport would substantially impair the in bond business in Alaska and accordingly, reduce the state's revenues.

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February 26, 1982

Patrick P. Ryan
Deputy Commissioner
Maintenance and Operations
State of Alaska, Department
of Transportation & Public Facilities
Pouch 6900
Anchorage, Alaska 99502

Dear Mr. Ryan:

We represent Liz Duty Free, Ltd. My client is interested in bidding on the duty free space in the new International Terminal which is to be advertised for bid in 1983. We request that our client be placed on the bidders' list and that we be provided with the specifications and blue-prints, if available.

At our client's request we respectfully suggest that the State of Alaska consider having two duty free concessionaires at the airport. If the State selects only one duty free concessionaire it is possible that it may be violating anti-trust laws. The advantage of two concessionaires is that there would be competition between them, the State might achieve higher revenue because of the ability to have more sales and the international traveler would have a choice of duty free shops. I would assume that the space available to each concessionaire would be approximately the same.

I would prefer the opportunity to discuss this with you at your earliest convenience. Thank you very much for your cooperation.

Sincerely,

GROH, EGGERS, ROBINSON,
PRICE & JOHNSON

:hf

Clifford J. Groh

Free Hand OK'd in Duty-Free Permits

By Russ Lynch
Star-Bulletin Writer

Decisions on whether competition should be allowed in the airport duty-free sales business should be made by the state Department of Transportation, a legislative committee decided yesterday.

Rather than vote out a bill that would have continued the present allowance for a maximum of two duty-free concessions at Honolulu Airport with no off-airport competition, the Senate Transportation Committee opted to leave it up to the department.

Sen. Alary George, R-3rd Dist. (Windward Oahu), chairman of the Transportation Committee, told the Star-Bulletin the committee wanted to give the department the flexibility to make quick responses to events such as last year's decision of Host International to drop out after only eight months of trying to compete with long-time airport concessionaire Duty Free Shoppers Ltd.

The department should be able to react on its own to court antitrust decisions, the fragility of the tourism business, decisions by foreign governments, such as changes in the allowance for personal imports, and other circumstances, she said.

The Legislature must enact a new law this session because the old one, which allowed a maximum of two airport duty-free concessions and no off-airport duty-free permits, has a "drop dead" clause that after June 30 would leave the state with no control over the duty-free business.

THE COMMITTEE version now goes to the Senate Ways and Means Committee and a similar bill is being processed in a House committee.

Legislators in both houses are grappling with the sensitive issue of what to do about a business that, though it amounts to a protected monopoly, produces more than 40 percent of the revenues of the entire state airport system and the George committee report is only one of the options to be considered.

It would allow the Transportation Department to issue permits for bonded warehouses away from the airports that could sell duty-free goods and deliver them to departing foreign-bound passengers.

However, certain guidelines would have to be met first. For example, the department would have to consider its own revenue requirements, whether the return from fees paid by licensees is the maximum available, and whether the duty-free business and the tourist and airline businesses are being enhanced by its decision.

By leaving it to the department to decide what form duty-free sales should take, George's committee did not answer the key argument in the Legislature between proponents of the current airport-only and maximum-of-two-concessions system and those who want to run off-airport operations.

DUTY-FREE SHOPPERS, which had sales of more than \$150 million in Honolulu in 1980, the year before the Legislature allowed Host to come in and compete, has argued vigorously that off-airport competition would invest little in Hawaii, employ very few people and take the cream of the sales — the liquor, tobacco and perfume business which is the basis of duty-free sales everywhere.

The report, said Duty Free Shoppers, would be a reduction in revenues to the state, a drop that would have to be made up by the others who pay for rights to use the airport, the airlines.

Even if the other operators paid the same 20 percent fee to the state as Duty Free Shoppers, that company says, state revenues would still drop because the other operators do not



DUTY-FREE BROWSING—After showing plane tickets at the door, foreign-bound travelers, mostly Japanese, check merchandise in Duty Free Shoppers' bonded store in Waikiki. —Star-Bulletin Photo by Terry Luke.

have the same skill in handling sales with each individual customer.

Two companies seeking to operate off-airport bonded warehouses and deliver duty-free goods to foreign-bound travelers at the airport argued just as vigorously that the more people there are selling, the greater the sales will be and the greater, therefore, the revenues to the state.

In the background, the Legislature, as it did last year, has to battle with charges of fostering a monopoly by protecting Duty Free Shoppers, but at the same time faces the highly sensitive choice of possibly damaging a business the state has lived with comfortably for 15 years.

AND THE LEGISLATURE also must weigh the revenue question seriously because Duty Free Shoppers by itself pays in more than 40 percent of the fees coming into the total statewide airport system.

In 1980, for example, Duty Free Shoppers paid the state more than \$30 million for the right to operate the airport since and its own off-airport duty-free shop on Royal Hawai-

ian Avenue in Waikiki.

The company guarantees the state a minimum of \$20 million a year and pays the state 20 percent of its gross revenues.

One of the would-be competitors, Liz Duty Free, headquartered in France, has said it would pay only what it thought state services were worth and it probably would not amount to 20 percent.

But another challenger, a Honolulu firm called Maison Canon, has said it is more than willing to pay 20 percent off the top.

The bill as redrafted by George's committee would require anyone going into the duty-free business to pay the same 20 percent fee as Duty Free Shoppers does.

Honolulu businessman George Corniotis, president of Maison Canon, pushed for opening the business up to competition.

The original draft of the bill, he told George's committee last week, was "clearly intended to keep us out of the duty-free business" by continuing to rule out off-airport permits.

Star-Bulletin

The THURSDAY REPORT

A weekly business feature section

Honolulu
March 4, 1982

THE TRANSPORTATION Committee's own study, Corniotis said, described the duty-free business as expanding and he said permits would increase revenues to the state.

An attorney for Liz Duty Free had testified that the state actually could not stop his client from setting up a bonded warehouse since all it needs is U.S. Customs approval to do that.

And the state would risk running afoul of laws against interference in international commerce if it stopped someone delivering goods to a departing aircraft, he said.

In a recent interview, Robert Futoran, board chairman and chief executive officer of Duty Free Shoppers, repeated the case he made to the Legislature and added some points in favor of the status quo — a maximum of two operators.

He said that since Customs has made it clear that under new federal cutbacks it will not have enough staff to supervise another airport operation, the state is effectively kept to one duty-free concession, his.

But he said antitrust cases have shown that the state can do that if it chooses.

Futoran said the off-airport operators would go for the "LTP" — liquor, tobacco and perfume — sales and do most of the selling to travelers, especially the Japanese, through catalogs.

His ORGANIZATION through experience has built up a specialized sales staff able to generate greater sales from each customer and since the state gets 20 percent of everything that comes into the cash register, the state would lose if sales decline.

Anyway, Futoran said, Duty Free Shoppers already has competition. Waikiki these days is full of stores selling the foreign-made specialty items that make up the bulk of Duty Free Shoppers' non-LTP business, such as Gucci handbags and Cartier watches.

And these stores are competing by offering discounts. Duty Free Shoppers sometimes has to adjust its own prices downward to match a retail discount price in a store nearby, he said.

Some of these people are "very terrific competitors," he said.

But most of all, Duty Free Shoppers is arguing that it deserves to be protected because it has served the state well since getting into the business here in 1967. The company employs 1,400 people in Hawaii, pays taxes like any other business and participates in community activities.

"What's under attack is a company that has been a good citizen of Hawaii for years," Futoran said.

FTE

HSTA says bombing, threats mishandled

The Hawaii State Teachers Association is objecting to the way Castle High School administrators responded when a small explosive device went off at the school Monday morning and when bomb threats were phoned in last week.

The room was empty when the explosion occurred minutes before special education students were scheduled to use the room. Kaneohe police were called and reported \$5 in damages.

The teachers' union, which referred to the incident as "life-threatening," said the blast blew apart a half-inch-thick plywood board and threw large wooden splinters around the room.

At a press conference yesterday, union officials said the administration did not order an evacuation or search and the teacher and students remained in the classroom after the explosion. HSTA President Jim Williams said the union has asked Schools Superintendent Donnis Thompson to investigate the incident and take disciplinary action if necessary.

Williams also said the union may file a grievance in the matter.

Castle Principal Richard Hadama said he could not discuss the matter because of the possible grievance, but said "under the circumstances, what we did was prudent."

He said there was no need to evacuate because of the bomb threats since school was out and students were already leaving or gone.

Committee recommends change in duty-free setup

By Sandra Oshiro
Advertiser Capitol Bureau

The state Transportation Department should have the "flexibility" to allow as many duty-free operations at Honolulu Airport as it sees fit, a key legislative committee is recommending.

The Senate Transportation Committee also indicated this week that it doesn't think the state should continue to limit the number of duty-free operators to two, as is done now.

In a report on its recommendation, the committee concludes that because of various factors in setting up duty-free operations, keeping the present situation would, in effect, give one operator a monopoly.

The committee concludes that a monopoly would result because only Duty Free Shoppers continues to operate under a contract to the state and there aren't enough federal customs officials to take care of a second concessionaire.

Host Duty Free had operated

under state contracts as well, but pulled out of the arrangement because it wasn't making enough money.

Lawmakers agreed last year to keep the "duopoly" for one year until studies could be conducted on whether the state would be hurt if more operators were allowed access to the airport.

The controversy over the number of duty-free operators is important to the state because the contract with Duty Free Shoppers brings in roughly \$35 million in guaranteed fees each year.

The money goes into an airport improvement fund and frees the state and airlines from paying out huge sums for runway terminals and other building projects.

Transportation officials worry that too many duty-free operations might deplete the amount of revenues paid to the state, and they are asking lawmakers to continue to limit the number of duty-free operations to two.

SD story

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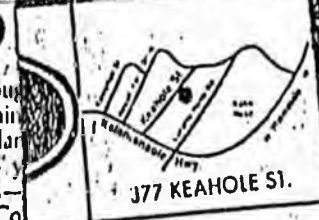
spokesman George Herman said nothing was issued based on information from Barbers Point Elementary school principal William Cupit. Cupit said yesterday he understood from talking to the mother that it was a case of poisoning, although doctors could not confirm that the drug had come from the school.

questionable stickers are reported to be the shape of blue stars or Walt Disney characters and the forms can be referred to the skin or tongue.

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STANDING COMMITTEE REPORT NO. 208-82

Honolulu, Hawaii
MAY. 3, 1982

Honorable Richard S. H. Wong
President of the Senate
Eleventh State Legislature
Regular Session of 1982
State of Hawaii

Sir:

RE: S.B. No. 2261-82

Your Committee on Transportation to which was referred
S.B. No. 2261-82 entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION",

begs leave to report as follows:

The purpose of this bill is to amend Section 261-7(a) of the Hawaii Revised Statutes, which provides that until June 30, 1982, the department of transportation may not enter into contracts for the sale and delivery of in-bond merchandise at Honolulu International Airport with more than two concessionaires.

Your Committee heard testimony from the department of transportation, Duty Free Shoppers, Ltd., the Chamber of Commerce of Hawaii, and the Honolulu Airlines Committee supporting the bill and emphasizing the importance of duty-free revenues to the health of the Airport Special Fund. Representatives from Maison Canon, Ltd., spoke against the bill, pointing out that the study done by Coopers & Lybrand for the department suggested that the present duopoly is not the best way to maximize airport revenues and that the history of the duty-free business indicates it is dynamic and expanding.

The primary concern of your Committee is the enhancement of duty-free revenues to the State. These revenues are affected by the vagaries of local, national, and international economic fluctuations. Further, the duty-free business is an unpredictable one, depending on such factors as foreign government customs regulations and the traditions and buying habits of foreign travelers. Rather than tie the hands of

SMO 366361

the department by specifying a particular system for the operation of duty-free contracts, your Committee feels that the department should be given the flexibility to change the system at the airport in response to changing conditions and circumstances. Your Committee was particularly persuaded of this need for flexibility by a letter received last year from the Federal Trade Commission which stated:

We suggest that ... legislation that permits DOT to determine the number of airport stores and permittees upon consideration of foreign tourism, airport conditions, store operations, and revenue needs might satisfy the purposes of the proposed legislation and yet retain for the state the flexibility to meet future changes in conditions. If, for example, the airport were expanded to allow additional stores or if prices charged were found to be excessive, additional concessions permits could be granted. Additional concessions could be granted upon expiration of the then current concessions in order to avoid diminishing the value of the concessions already operating. Only administrative action by DOT would then stand in the way of potential competitors for duty-free sales. The state itself would be freer to respond to changing conditions of tourism, airport use, store operations and revenue needs.

In providing the department with this flexibility, your Committee feels that guidelines should be given to the department so that in awarding contracts for the sale and/or delivery of in-bond merchandise at HIA, consideration will be given to revenue requirements, maximization of revenues, the protection and enhancement of the duty-free business and the tourist industry in the State, the health of the airline industry, the availability and capacity of airport facilities, the ability of the applicant to comply with the State rules and regulations concerning sale and/or delivery of in-bond merchandise, and the reputation, experience and financial capability of the applicant.

To further protect the State's duty-free revenues, your Committee believes that the department should not enter into any contracts for sale and/or delivery of in-bond merchandise unless the applicant agrees to pay twenty per cent of gross receipts, the same percentage the present concessionaire is paying. This restriction should apply at least until June 30, 1988, at which time the present concessionaire's contract will expire.

Presently, the department is required to supervise the operations of duty-free contractors because of the restriction on the number of contracts into which the department can enter. Your Committee feels that while this supervision must continue if the department elects to have only one contractor, in the event that there is more than one contractor, then the forces of competition in the marketplace should be allowed to regulate the industry and no departmental supervision should be required.

Your Committee has heard testimony to the effect that there is not sufficient customs personnel presently available to allow a second concessionaire at the airport. Thus, if we continue to operate under the current statute which allows a duopoly, it will almost certainly mean continuation of the present monopoly for the foreseeable future. The Coopers & Lybrand study indicates that of the various options that may be available to the department, a monopoly is a poor choice for maximizing revenues.

Your Committee has amended the bill to add a findings and purpose section, to provide the department with guidelines for granting contracts to duty-free operators, to require that all duty-free operators pay twenty per cent of gross receipts through June 30, 1988, and to relieve the department of supervision of duty-free operations should it elect to have more than one contractor.

Your Committee on Transportation is in accord with the intent and purpose of S.B. No. 2261-82, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2261-82, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted,

Mary George

MARY GEORGE, Chairman

excused

DUKE T. KAWASAKI, Vice Chairman

Steve Cobb

STEVE COBB, Member

Ann Kobayashi

ANN KOBAYASHI, Member

excused

JOSEPH T. KURODA, Member

W. Buddy Soares

W. BUDDY SOARES, Member

excused

GEORGE H. TOYOFUKU, Member

(To be made one and twelve copies)

THE SENATE B-12..

.....ELEVENTH..... LEGISLATURE, 19⁸².....

STATE OF HAWAII

S.B. NO.

2261-82
S.D. 1

A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Findings and purpose. The legislature finds
2 that the State of Hawaii receives substantial revenues from
3 the sale and delivery of in-bond merchandise to foreign-bound
4 travelers departing from Honolulu International Airport. These
5 revenues are expended by the department of transportation to
6 provide for the orderly administration of the airport, which in
7 turn benefits the airline industry, and ultimately supports
8 and bolsters tourism in the State. Thus, the necessity and
9 importance of maintaining a substantial and stable flow of
10 in-bond merchandise revenue cannot be underestimated.

11 Rapid economic fluctuations locally, nationally, and
12 internationally have affected and will continue to affect
13 airport operations. It is the purpose of this Act to provide
14 the department with the flexibility to meet future changes in
15 the economic sphere and to respond to such changes effectively,
16 efficiently, and in a timely fashion in order to minimize any
17 adverse impact on the flow of in-bound merchandise revenue which
18

1 is vital to the administration of the airport.

2 SECTION 2. Section 261-7, Hawaii Revised Statutes,
3 is amended by amending subsection (a) to read:

4 "(a) Under department operation. In operating an
5 airport or air navigation facility owned or controlled by
6 the department of transportation, or in which it has a
7 right or interest, the department may enter into contracts,
8 leases, licenses, and other arrangements with any person:

- 9 (1) Granting the privilege of using or improving
10 the airport or air navigation facility or any
11 portion or facility thereof or space therein
12 for commercial purposes;
- 13 (2) Conferring the privilege of supplying goods,
14 commodities, things, services, or facilities
15 at the airport or air navigation facility;
- 16 (3) Making available services, facilities, goods,
17 commodities, or other things to be furnished
18 by the department or its agents at the airport
19 or air navigation facility; or
- 20 (4) Granting the use and occupancy on a temporary
21 basis by license or otherwise any portion of
22 the land under its jurisdiction which for the
23 time being may not be required by the department
24 so that it may put the area to economic use and
25 thereby derive revenue therefrom.

1 All the arrangements shall contain a clause that the
2 land may be repossessed by the department when needed
3 for aeronautics purposes upon giving the tenant tempo-
4 rarily occupying the same not less than thirty days'
5 notice in writing of intention to repossess.

6 Except as otherwise provided in this section, in
7 each case mentioned in paragraphs (1), (2), (3) and (4),
8 the department may establish the terms and conditions
9 of the contract, lease, license, or other arrangement,
10 and may fix the charges, rentals, or fees for the
11 privileges, services, or things granted, conferred, or
12 made available, for the purpose of meeting the expen-
13 ditures of the statewide system of airports set forth
14 in section 261-5(a), which includes expenditures for
15 capital improvement projects approved by the legislature.
16 Such charges shall be reasonable and uniform for the
17 same class of privilege, service, or thing.

18 [The department shall enter into separate contracts
19 with no more than two persons ("contractors") for the
20 sale and delivery of in-bond merchandise at Honolulu
21 International Airport, in the manner provided by law.
22 Each such contract shall confer the right to operate
23 and maintain commercial facilities within the airport
24 for the sale of in-bond merchandise and the right to
25 deliver to the airport in-bond merchandise for sale to

1 departing foreign-bound passengers.

2 The department shall grant such contracts pursuant
3 to the laws of this State and may take into consideration:

- 4 (1) The payment to be made on in-bond merchandise
5 sold at Honolulu International Airport and on
6 in-bond merchandise displayed or sold elsewhere
7 in the State and delivered to the airport;
- 8 (2) The ability of the applicant to comply with
9 all federal and state rules and regulations
10 concerning the sale and delivery of in-bond
11 merchandise; and
- 12 (3) The reputation, experience, and financial
13 capability of the applicant.]

14 The department may enter into contracts, leases,
15 licenses, and other arrangements with any person ("contractor")
16 for the sale and/or delivery of in-bond merchandise at
17 Honolulu International Airport, in the manner provided
18 by law. In granting such contracts, leases, licenses, and
19 other arrangements, the department shall take into consideration:

- 20 (1) The revenue requirements of the department;
21 (2) The number of contractors, lessees and/or
22 licensees necessary to insure that the
23 department receive the maximum revenue available
24 from the sale and/or delivery of in-bond merchandise;
25

- 1 (3) The protection and enhancement of the duty
- 2 free business in the State of Hawaii;
- 3 (4) The protection and enhancement of the tourist
- 4 and airlines industries in the State of Hawaii;
- 5 (5) The availability and capacity of airport facilities;
- 6 (6) The ability of the applicant to comply with all
- 7 state rules and regulations concerning the sale
- 8 and/or delivery of in-bond merchandise; and
- 9 (7) The reputation, experience, and financial
- 10 capability of the applicant..

11 During the period January 1, 1981, through June 30, 1988,
12 the department shall confer no right upon any person to sell
13 or deliver in-bond merchandise at Honolulu International
14 Airport unless such person agrees to pay a percentage fee
15 equal to twenty per cent of the person's monthly gross receipts
16 derived from selling and/or delivering in-bond merchandise
17 to the airport.

18 In the event that the department elects to have a single
19 contractor, [The department] it shall actively supervise the
20 operation of [the] such contractor[s] to insure its effectiveness.
21 The department shall develop and implement such guidelines as
22 it may find necessary and proper 'o actively supervise the
23 operations of such contractor[s], and shall include guidelines
24 relating to the department's review of the reasonableness
25 of the [contractors'] contractor's price schedules, quality

1 of merchandise, merchandise assortment, operations, and
2 service to customers.

3 In the event that the department elects to have more
4 than one contractor, then the forces of competition in the
5 marketplace will be allowed to regulate the industry and no
6 departmental supervision shall be required.

7 Apart from the contracts, leases, licenses, and other
8 arrangements described above, [during the period ending
9 June 30, 1982,] the department shall confer no right upon
10 any person to offer to sell, sell, or deliver in-bond
11 merchandise at Honolulu International Airport[.]; provided
12 that nothing in this subsection shall be construed so as to
13 impede the flow of duty-free items consigned as cargo to
14 foreign destinations."

15 SECTION 3. Section 5, Act 243, Session Laws of Hawaii
16 1981, which provides for the expiration of said Act 243 on
17 June 30, 1982, is repealed.

18 SECTION 4. Statutory material to be repealed is bracketed.
19 New material is underscored.

20 SECTION 5. This Act shall take effect upon its approval.

21
22
23
24
25

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 2, 1982

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the sale and delivery of in-bond or duty-free merchandise at state international airports.

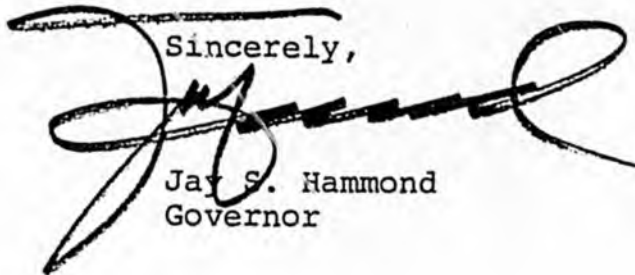
As you may know, for years the state has entered into exclusive contracts which grant the privilege of using commercial space at state-owned and -operated international airports for the sale and delivery of duty-free merchandise to foreign-bound passengers. Under these contracts, the state receives substantial revenues for the International Airport Revenue Fund. Last year, for example, the fund received approximately \$5,300,000 from these contract payments. If this source of revenue is diminished, the lost revenues will have to be made up from other sources, such as increased landing fees and fuel flowage fees which would be passed on by the airlines to passengers in the form of higher fares. The obvious detrimental effects of these increases on Alaska's tourism industry could be serious.

Recently, legal questions have been raised concerning the granting of these exclusive contracts. Decisions from the United States Supreme Court and from other courts indicate that these legal questions can be resolved through state legislation that (1) makes it clear that the granting of exclusive contracts furthers an important state policy, and (2) provides a level of oversight by the state on the activity performed under the exclusive contracts.

This bill includes legislative findings that clearly express the important state benefits that are fostered through exclusive contracts for the sale and delivery of duty-free merchandise. Additionally, the bill directs that the Department of Transportation and Public Facilities shall grant exclusive contracts for the sale and delivery of duty-free merchandise at state international airports. The bill also provides guidelines for the department's oversight of the contractors' activities.

Since I am in favor of fostering competition, in this particular instance I am convinced that exclusive contracting is clearly in the best interests of the state only after competitive bidding. This bill will resolve once and for all any legal questions surrounding the state's granting of exclusive contracts for in-bond merchandise at airports.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Jay S. Hammond', is written over the typed name below.

Jay S. Hammond
Governor

02274 NL ANCHORAGE AK 994 03-25 0641P AST
PMS SEN BILL RAY
JUNEAU AK

ON MARCH 2, 1982 THE SIX (6) LOBBYISTS EMPLOYED BY DUTY FREE SHOPPERS LTD (A CORPORATION REGISTERED IN THE NETHERLANDS ANTILLES AND HEADQUARTERED IN HONGKONG THUS AVOIDING US CORPORATE TAXATION) PREVAILED ON THE ADMINISTRATION OF THE STATE OF ALASKA TO REQUEST INTRODUCTION OF SB 824 QUOTE AN ACT RELATING TO THE SALE AND DELIVERY OF IN BOND MERCHANDISE AT INTERNATIONAL AIRPORTS...UNQUOTE INTO THE ALASKA STATE SENATE.

THE BILL PROVIDES THAT ONLY AN AUTHORIZED CONCESSIONAIRE SHOULD BE ALLOWED TO SELL AND DELIVER IN BOND MERCHANDISE AT INTERNATIONAL AIRPORTS; THAT SUCH CONCESSIONAIRE SHOULD BE GRANTED AN EXCLUSIVE CONTRACT BY THE STATE; AND THAT THE EXCLUSIVE CONTRACT WHICH CURRENTLY EXISTS SHOULD BE CONTINUED IN THE FUTURE.

THE BILL FAILS TO PROVIDE FOR COMPETITIVE BIDDING ON THIS EXCLUSIVE CONTRACT.

THE BILL ERRONEOUSLY ASSUMES THAT SUCH COMPETITION WOULD DIMINISH THE LEVEL OF REVENUES PRESENTLY DERIVED BY THE STATE.

THE BILL WOULD RIVE THE ONLY CORPORATION CAPABLE OF PROVIDING SUCH COMPETITION OUT OF BUSINESS.

THE BILL WOULD INCREASE THE STATE OPERATING BUDGET OF THE DEPT OF TRANSPORTATION.

THE BILL WOULD RESULT IN DUPLICATION OF CONSUMER PROTECTION ENFORCEMENT AUTHORITY AND INCREASE THE NUMBER OF STATE EMPLOYEES REQUIRED FOR SUCH ENFORCEMENT.

THE BILL IS IN VIOLATION OF THE PROVISIONS OF THE SHERMAN ANTI TRUST LAW 15 USC SECTION 1 AND 2.

THE BILL WOULD RESULT IN THE LOSS OF JOBS FOR ALASKANS.

THE BILL WOULD ESTABLISH A MONOPOLY.

SB 824 PROPONENTS ARGUE THAT UNLESS THE STATE CONTINUES ITS PRESENT RELATIONSHIP OF EXCLUSIVITY WITH THE CURRENT HOLDER OF THE DUTY FREE FRANCHISE AT FAIRBANKS AND ANCHORAGE INTL AIRPORT REVENUES DERIVED BY THE STATE FROM THIS SOURCE WOULD DIMINISH RESULTING IN INCREASED OPERATING COSTS WHICH WOULD HAVE TO BE BORNE BY THE AIRCARRIERS SERVING THOSE FACILITIES FURTHER RESULTING IN THOSE COSTS BEING PASSED ON TO THE PASSENGERS ALL OF WHICH WOULD RESULT IN DIMINISHED NUMBERS OF VISITORS TO ALASKA.

NOTHING COULD BE FARTHER FROM THE TRUTH.

THE CURRENT HOLDER OF THE EXCLUSIVE CONTRACT WITH THE STATE FOR DUTY FREE OPERATIONS AT INTL AIRPORTS PAYS THE STATE 13.75 PERCENT OF GROSS SALES ON DUTY FREE MERCHANDISE WHICH RESULTED IN DLRS5.4 MILLION IN REVENUES PAID TO THE STATE LAST YEAR. THIS PERCENTAGE OF GROSS REVENUES IS GROSSLY UNDER COMPETITIVE MARKET RATES. IN HONOLULU FOR EXAMPLE THE FRANCHISEE PAYS 20 PERCENT OF THE GROSS TO THE STATE OF HAWAII. THUS IN FACT THE STATE OF ALASKA IS PRESENTLY LOSING MILLIONS OF DOLLARS A YEAR UNDER THE CURRENT NON COMPETITIVE SITUATION. LAST YEAR HAD THE STATE RECEIVED A 20 PERCENT RETURN AS DID HAWAII AN ADDITIONAL DLRS2.4 MILLION WOULD HAVE GONE INTO THE STATE TREASURY. SMALL WONDER THAT THE PRESENT FRANCHISEE CAN AFFORD TO HIRE 6 LOBBYISTS TO ATTEMPT TO MAINTAIN THEIR EXCLUSIVE SWEETHEART ARRANGEMENT.

TWO AUTHORIZED VENDORS OF DUTY FREE MERCHANDISE IN ALASKA

WOULD ACTUALLY INCREASE REVENUES DERIVED BY THE STATE BY FIRST CAUSING THE PERCENTAGE OF GROSS SALES TO MORE ACCURATELY REFLECT TRUE MARKET RATES. SECONDLY POINTS OF SALE AT THE INTL AIRPORT TERMINALS WOULD BE INCREASED EXPOSING THE CONSUMER TO MORE OPPORTUNITIES TO BUY. THIRDLY LIZ DUTY FREE HAS ALREADY NEGOTIATED THREE ADDITIONAL SHOWROOMS IN DOWNTOWN ANCHORAGE AND PLANS TO EXPAND THESE OPERATIONS IN OTHER MAJOR TOURIST CITIES THROUGHOUT THE STATE FURTHER INCREASING EXPOSURE OPPORTUNITITES. FOURTH THE JOBS CREATED BY THIS NEW OPERATION WILL NUMBER 50 ON MAY 1, 1982 AND IF ALLOWED TO COMPETE AT THE NEW INTERNATIONAL TERMINAL WILL EXCEED 150 BEFORE THE END OF THE YEAR ALL OF WHICH WILL GO TO ALASKANS. FINALLY THE SALES MOTIVATION AND EFFORTS WILL INCREASE IF THE PRESENT MONOPOLY IS ELIMINATED - A FACT READILY ATTESTED TO BY PRESENT SUCCESSFUL SALESPERSONS IN ANY COMPETITIVE LINE.

THE BILL IF ENACTED, WOULD NOT ONLY BE A GROSS INFRINGEMENT ON THE LEGAL RIGHTS OF LIZ DUTY FREE LTD, IT WOULD EFFECTIVELY DRIVE THIS CORPORATION OUT OF BUSINESS IN ALASKA LEAVING THE STATE AT THE MERCY OF A SINGLE CONCESSIONAIRE. INDEED LIZ DUTY FREE IS THE ONLY POTENTIAL COMPETITOR TO THE PRESENT CONCESSIONAIRE IN ALASKA AND ACCORDING TO THE STATE DEPT OF TRANSPORTATION WOULD BE THE ONLY FIRM WITH THE REQUIRED THREE YEARS OF EXPERIENCE IN DUTY FREE OPERATIONS WHICH COULD COMPETE FOR THE STATE CONTRACT -- COULD COMPETE THAT IS ONLY IF THE BILL ALLOWED SUCH COMPETITION WHICH IT PRESENTLY DOES NOT.

WE BELIEVE THE BILL, AS PROPOSED IS A PATENT VIOLATION OF FEDERAL ANTI TRUST STATUTES. PRIOR TO ANY FURTHER CONSIDERATION OF THE BILL, IT BEHOOVES THE LEGISLATIVE LEADERSHIP TO SEEK LEGAL OPINIONS FROM BOTH THE US DEPT OF JUSTICE AND THE STATE ATTORNEY GENERAL.

UNDER PRESENT STATE LAW, CONSUMERS ARE PROTECTED FROM FAULTY MERCHANDISE SALES, MISLEADING ADVERTISING AND FRAUD. THESE PROTECTIONS ARE ENFORCED BY THE CONSUMER PROTECTION AGENCY OF THE STATE ATTORNEY GENERALS OFFICE AND THE FRAUD UNIT OF THE ALASKA STATE TROOPERS. THE BILL IF ENACTED WOULD IMPOSE AN ADDITIONAL LAYER OF BUREAUCRACY ACTIVE IN ENFORCEING CONSUMER PROTECTION IN THE DEPT OF TRANSPORTATION AND PUBLIC FACILITIES. NOT ONLY IS THIS AN ABSURD EXPANSION WHICH WILL RESULT IN MORE STATE EMPLOYEES, IT WILL ALSO RESULT IN AN INCREASE IN THE STATES OPERATING BUDGET AND AGGREGATE DUPLICATION ALREADY INHERENT IN STATE PROGRAMS.

WHAT ALASKAN WANTS TO BE TOLD TO BUY HIS OR HER HOUSE FROM THE STATE APPROVED REAL ESTATE AGENT? SUPPOSE WE COULD ONLY BUY OUR BLUE JEANS FROM THE STORE WHICH HAD AN EXCLUSIVE CONTRACT WITH THE STATE BECAUSE SOMEONE CONVINCED THE STATE THAT THATS THE A WAY IT SHOUD BE IF STATE REVENUES ARE TO BE MAINTAINED? HOW ABOUT GETTING OUR TEETH PULLED AT THE STATE APPROVED DENTAL CLINIC? THE STATE MIGHT EVEN LIKE TO GET INTO THE BUSINESS OF GOING EXCLUSIVE WITH THE RESTUARANTS IF THEY COULD BE CONVINCED THAT THROUGH THAT APPROACH MORE REVENUES COULD FLOW INTO STATE COFFERS.

WE RESPECTFULLY REQUEST YOU, AS A MEMBER OF THE ALASKA STATE LEGISLATURE WHICH REPRESENTS THE INTERESTS OF THE PEOPLE OF ALASKA, TO OPPOSE SB 824 AND ANY BILL WHICH SEEKS TO ESTABLISH A MONOPOLY AS IT DOES.

MR EJ MILLER VICE PRESIDENT

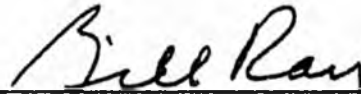
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837

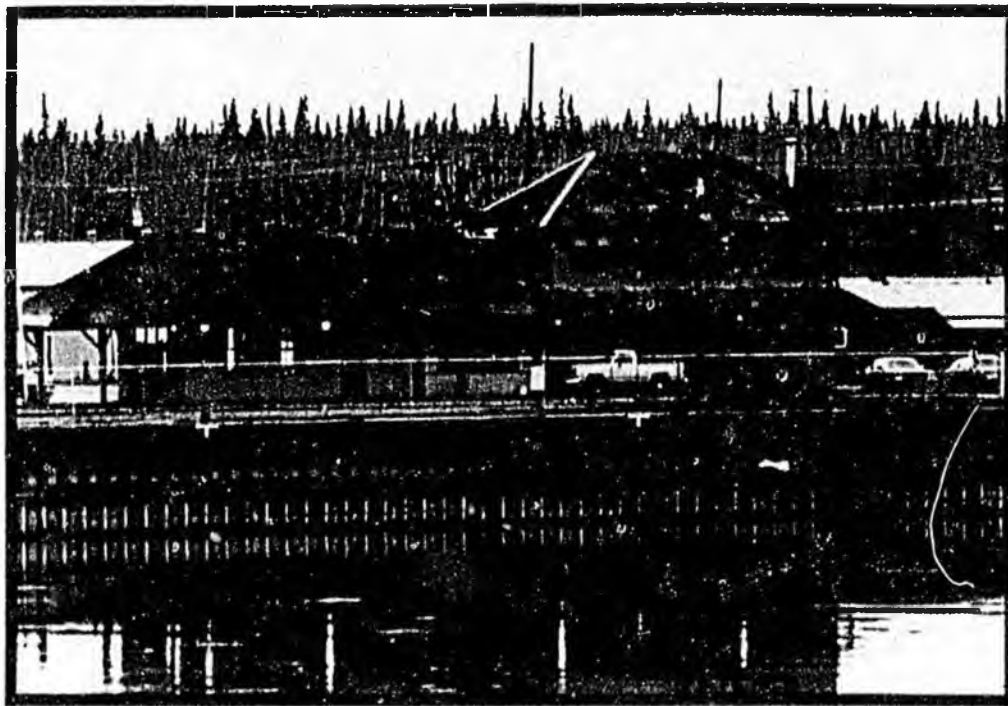
LETTER OF INTENT

Senate Bill 837 is being forwarded to the next committee of referral, which is the Senate Finance Committee, due to its financial implications. The committee recommends that this be placed as a bonding proposition to be considered by the voters in the next general election rather than making a direct appropriation.

A handwritten signature in cursive script that reads "Bill Ray". The signature is written in dark ink and is positioned above a horizontal line.

Senator Bill Ray, Chairman
Committee on Transportation

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PORT OF NENANA ALASKA

BULKHEAD EXPANSION STUDY

1981



Peratrovich & Nottingham, Inc.
Engineering Consultants



Peratrovich & Nottingham, Inc.

Engineering Consultants

1506 W. 36th Ave • Suite 101 • Anchorage, Alaska 99503 • 907-272-8491

January 6, 1982

P&N 81080

Mr. Steve Bainbridge, City Engineer
City of Nenana
P.O. Box 177
Nenana, Alaska 99760

Re: Port of Nenana Bulkhead Expansion

Dear Mr. Bainbridge:

In accordance with your authorization, we have completed a preliminary study for the above-referenced project. Included in this report are our initial findings and a projected budget that contains certain cost assumptions, as will be discussed.

Parts of this study included a site visit to Nenana, contact with the USGS in Fairbanks regarding river parameters, inspection of Alaska Railroad-owned salvaged sheetpile material in Anchorage, and research of Alaska Railroad files and documents.

From this effort, we have concluded the following:

1. A 1,000-foot bulkhead extension, as shown on the attached drawing appears possible.
2. This extension, properly placed, would create a longer usable dock and avoid riverbed deposition.
3. Sufficient suitable salvaged sheetpile material exists in Alaska to accomplish the project.
4. About 2.5 acres of additional improved marine use uplands would be created, and at least 800 linear feet of usable dock frontage would result.
5. Flood elevations are not expected to be significantly impacted, although this needs to be accurately established through more engineering work.
6. Suitable fill and riprap is available near Nenana.
7. Riverbed materials are suitable for the type of construction envisioned.

January 6, 1982
P&N 81080
Mr. Steve Bainbridge
Page -2-

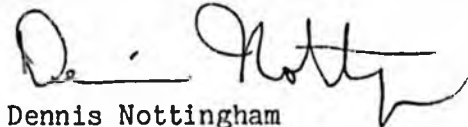
Immediate additional work required, which may impact fall 1982 completion, is permit preparation. Due to an apparent constriction and the potential to raise flood levels, the Corps of Engineers will probably require an accurate analysis to show that flood levels will not increase significantly, usually less than one foot.

The attached cost estimate has been prepared by using some cost assumptions connected with used sheetpiles. However, we feel that it will be an accurate starting point upon which future decisions can be made.

We hope this report addresses your needs; and should you have any questions, please contact us at any time.

Sincerely,

PERATROVICH & NOTTINGHAM, INC.



Dennis Nottingham
President

DN/gh/L2-h



PORT OF NENANA
PROPOSED BULKHEAD EXPANSION
Estimate and Recommended Budget

Sheetpiles Supply

2,275,000# @ 0.10 = \$ 227,500
(mainly shipping and handling)

Sheetpile Fabrication

45 "Y" connections @ 2,100#
= 143,850# @ 0.60 = 86,310
47 "T" connections @ 1,050#

Sheetpile Erection

2,635 LF @ \$230 = 606,050

Bull Rail Supply

1,100 ft. @ 85# = 94,000# @ \$0.10 = 9,400

Bull Rail Erection

94,000# @ \$0.50 = 47,000

Fill

60,000 CY @ \$6 = 360,000

Riprap

500 CY @ \$30 = 15,000

Mobilization and Demobilization =

100,000
\$1,451,260

10% Contingency 145,126

Surveys, soils and permit preparation 20,000

5% Administration and construction engineering 72,563

6% Design engineering 87,076

Total Estimated 1982 Project Cost \$1,776,025

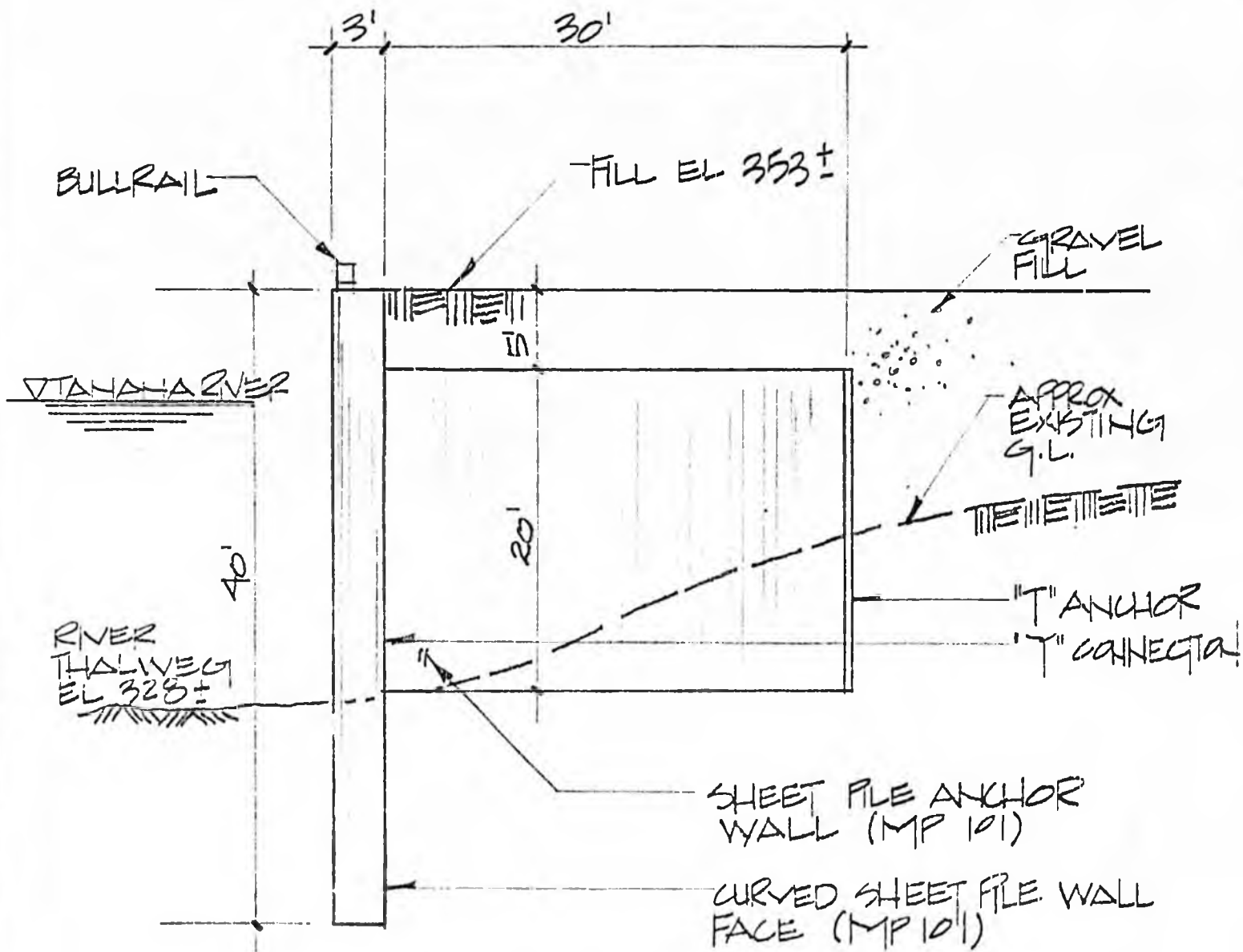
Recommended Project Budget = \$1.8 Million





OLD TIMBER BULKHEAD —
STEEL SHEETPILE BULKHEAD —

**TYPICAL EXISTING BULKHEAD
PORT OF NENANA**



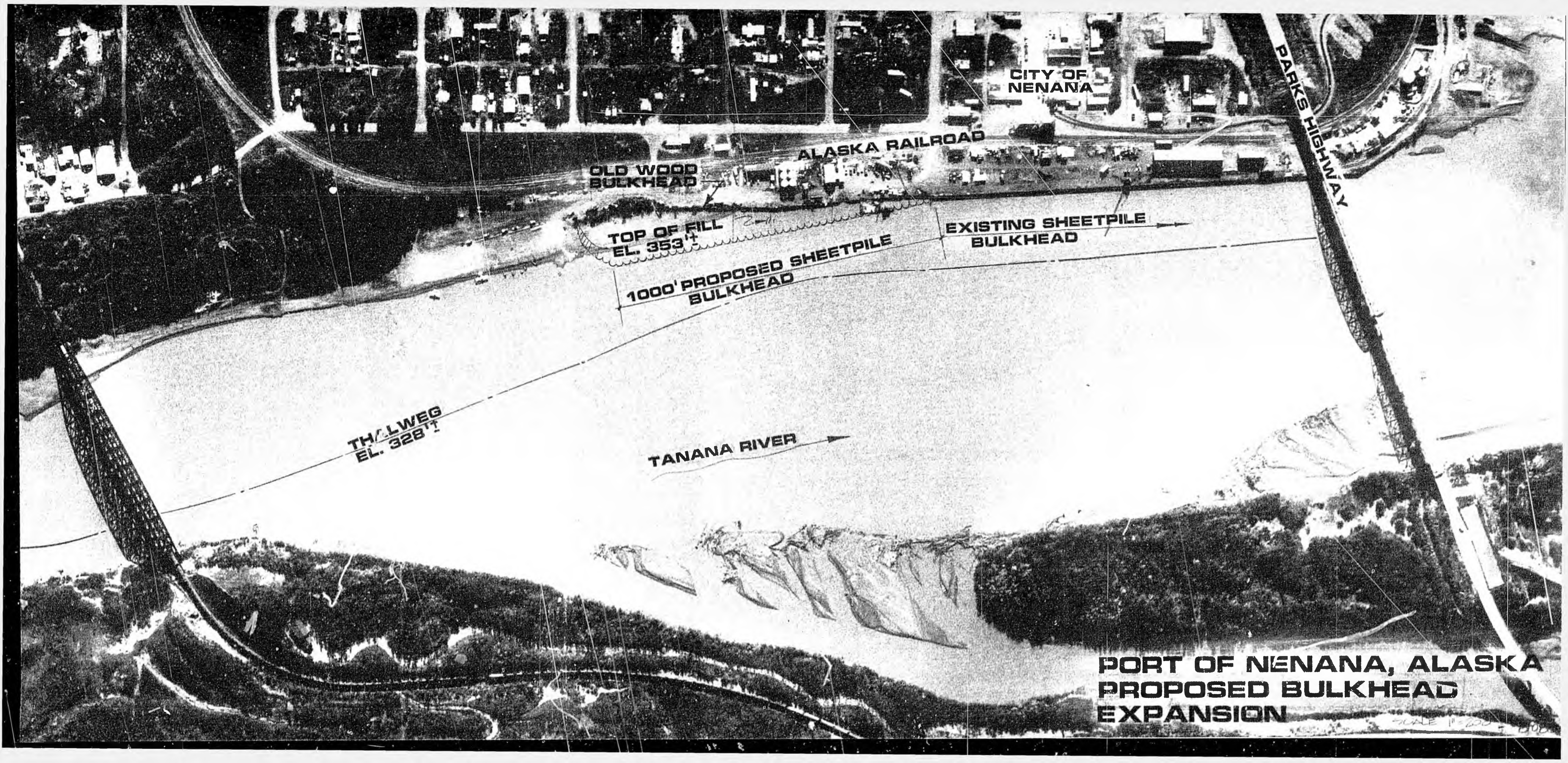
TYPICAL BULKHEAD SECTION

**PORT OF NENANA,
ALASKA**

**PROPOSED BULKHEAD
EXPANSION**

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA STATE ARCHIVES TO VIEW THE ORIGINAL.



CITY OF NENANA

PARKS HIGHWAY

ALASKA RAILROAD

OLD WOOD BULKHEAD

TOP OF FILL
EL. 353

1000' PROPOSED SHEETPILE
BULKHEAD

EXISTING SHEETPILE
BULKHEAD

TH/LWEG
EL. 328

TANANA RIVER

PORT OF NENANA, ALASKA
PROPOSED BULKHEAD
EXPANSION

SCALE 1" = 100'

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838

April 1, 1982

Lyman Hoffman, City Manager
Dan Boyette, Capital Projects Director
City of Bethel
P.O. Box 388
Bethel, Alaska 99559

Dear Mr. Hoffman and Mr. Boyette:

This is to acknowledge receipt of your correspondence of March 25 concerning the teleconference to Bethel on SB 838.

No apologies are necessary. Perhaps the person was acutely nervous and tried to make a joke to relieve her own intensity of feeling.

Thank you, though, for taking the time to show your concern. It was my pleasure to help.

Sincerely,

Bill Ray
Bill Ray
Senator
District C



ANS - (X) - no apologies necessary. I imagine the person was acutely nervous and tried to make a joke to relieve her own intensity of feeling. My pleasure to help.

CITY OF BETHEL

P.O. Box 388 • Bethel, Alaska 99559

543-2297—Area Code 907

March 25, 1982

Senator Bill Ray
Alaska State Senate
Pouch V
Juneau, Alaska 99811

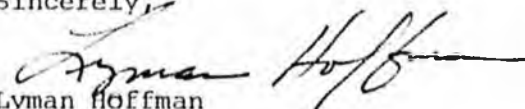
Dear Senator,

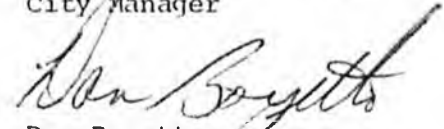
We wish to thank you for all your help in our effort to try and realize riverbank stabilization along the Bethel riverfront. This goal of checked erosion must be realized if Bethel is ever to achieve any degree of economic self sufficiency. The project of building a seawall has been on Bethel's list of needs since 1934. With your help, and the help of all the Senate, we now see the means to achieve this goal within our grasp.

We also wish to apologize for the behavior of a Bethel resident during the Teleconference Hearing with the Senate Transportation Committee on March 18, 1982. Although we cannot guarantee that all people will behave with the proper respect, we will accept responsibility for the individual's actions and sincerely hope that this sort of thing will not happen again. Needless to say, those of us who were in attendance were extremely embarrassed and regret that this ever happened.

We recognize the important role of the Senate Transportation Committee in serving the people of Alaska and don't believe your committee bears any resemblance to any game show.

Sincerely,


Lyman Hoffman
City Manager


Dan Boyette
Capital Projects Director

cc: Senator Nels Anderson
Tundra Drums Newspaper

"Deep Sea Port and Transportation Center of the Kuskokwim"

MASTER PLAN AND REPORT
FOR
PORT DEVELOPMENT
AT
BETHEL, ALASKA

GENERAL CARGO DOCK
PETROLEUM PRODUCTS DOCK
RIVERBANK STABILIZATION

Prepared For
THE CITY OF BETHEL



Prepared By

Harold H. Galliett, Jr.
Consulting Engineer
Anchorage, Alaska

George C. Silides
Consulting Engineer
Fairbanks, Alaska

April 1981

Revised
February 1982

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facility described in the following Plan Report. This construction is now taking place, and is scheduled for completion in time for arrival of the first ocean vessel in the spring of 1982. In addition to improving the operational efficiency of the Port, timing of the construction project has resulted in significant winter month employment at Bethel.

The construction drawings and contract documents for the Petroleum Dock and Cargo Dock Extension are being prepared, and advertisement for bids is proposed to begin by March 1, 1982. It is expected that material purchase and construction contracts will be awarded in time to have the necessary material arrive on the first vessel to Bethel in mid to late May 1982, with construction commencing soon thereafter.

The drawings and contract documents are being prepared with deductive alternates, to accommodate existing funds. For the available funds, the Petroleum Dock and tank farm protection will receive first priority. Cargo Dock Extension will proceed as funds become available.

PROPOSED CONSTRUCTION 1982-1983 (FY 83)

A. CHANGES

The 1982-1983 and 1982-1984 proposed program shown on Page IV - 2 has been changed, as follows:

Item B.1.(a), 1000 feet of articulated mat, originally shown for construction in 1982-1983, has been deferred to the 1983-1984 season.

Item C.1.(a), 800 feet of bulkhead to Lot 11, Block 20, has been moved up to the 1982-1983 season. This results in a total of 1200 feet of bulkhead proposed for 1982-1983, to complete industrial area protection and waterfront use.

B. REASONS FOR CHANGE

1. It is believed that some bank stabilization and protection upstream of the bulk fuel storage facility can be accomplished by non-structural means. It is proposed to use a combination of sloping, terracing, seeding and sodding in the vicinity of the former PHS hospital. The use of a floating breakwater to reduce wave action against the banks will result in a sheltered moorage for smaller boats during the summer. Depending on the success of this alternative, savings may range from 0.20 to 0.65 million dollars.

2. Additional development in the Industrial Area during 1981 requires earlier attention to this part of the Port of Bethel Development. The non-structural alternative described above facilitates this change.

Because of the work now under-way at the General Cargo Dock and the Petroleum Dock, savings can be realized by earlier sequencing of segments having similar methods of construction.

Design and construction improvements indicate that the 1200 linear feet of bulkhead between Main Street and Lot 11, Block 20 can be built for less than originally estimated in April 1981. The

change in schedule will keep this saving from being lost to inflation.

F.Y. 1983 CONSTRUCTION DOLLAR NEEDS

FY 1982 Funds Requested	\$6,870,000
FY 1982 Funds Received	\$5,250,000
Needed To Complete FY 1982 Construction	\$1,620,000
Non Structural Bank Protection & Stabilization FY 1983	331,200
Industrial Area Docking And Bank Stabilization, 1200 Linear Feet Steel Bulkhead, FY 1983	<u>\$3,812,425</u>
Total Legislative Funding Requested FY 1983 Capital Improvements Budget	<u><u>\$5,763,625</u></u>

PORT OF BETHEL IMPROVEMENTS

I. CONCLUSIONS AND EXECUTIVE SUMMARY

1. The economic and cultural development of the City of Bethel and of the Bethel Service Area depends largely on the successful retention and development of the Bethel waterfront.
2. Without the immediate undertaking of a sustained program of riverbank stabilization, the Bethel waterfront, including the present location of the bulk fuel tank farm and the future location of the general cargo dock and industrial area, will be lost.
3. The evidence gathered from our studies since 1970, and from 1974 general cargo dock construction, show that port improvements and their protective appurtenances result in permanent, or very long-term riverbank stabilization.
4. Construction should commence in 1981 if possible, or in 1982 at the latest, to prevent the loss of the bulk fuel storage tank farm, and to relieve the expensive congestion at the general cargo handling facility.
5. Once begun, the entire program of port development/riverbank stabilization should be wholly completed with all reasonable dispatch to lessen the penalties of inflation, and to lessen the

chance of losing the partially completed improvements from any eccentricities of the Kuskokwim River.

6. The benefits to Southwest Alaska from Bethel port improvements and bank stabilization exceed the cost of facility construction.
7. Funding of the Bethel port development/riverbank stabilization program is in keeping with legislative fiscal policy of development.
8. That an adequate sum to fund at least the 1981-1982 construction phase should be appropriated from the general fund to the Department of Transportation and Public Facilities for use by the City of Bethel, as per the master plan for port development, upon submission by the City of Bethel of the necessary design and construction plans and specifications.
9. General freight tonnage and volume being handled by the municipally operated Port of Bethel has increased from 15,000 tons in 1972 to 27,000 tons in 1980. It is estimated that general freight handled will reach 40,000 tons by 1985.
10. That it is essential that the present port staging area be immediately enlarged in the interest of safety, order, and economy of motion. To provide adequate staging area through 1984, the City of Bethel must immediately require all of Block 19, and Lots 3 - 8, inclusive, of Block 20.
11. In all phases, time is of the essence.

II. PORT OF BETHEL SERVICE AREA

The City of Bethel occupies a central location in Southwest Alaska. As the upper limit for oceangoing vessels, the Port of Bethel is the deep water entry port of Southwest Alaska.

The Port of Bethel presently serves a huge region of over 100,000 square miles. The City of Bethel has developed into the center of trade, transportation, distribution, communications, administration, education, health care and cultural activity for over sixty communities located on Kuskokwim Bay and the Kuskokwim River.

The region's complexity and isolation makes water transportation the most cost effective means of moving general cargo and bulk petroleum products in and out of Bethel. These are unloaded at the Port of Bethel and transshipped to other communities by tugs and barges better suited to ply river and shallow coastal waters.

When the Yukon River and the Kuskokwim River are joined together by the Yukon-Kuskokwim Crossing¹, now being investigated for the Senate Transportation Committee, the Port of Bethel will be the deep water

1 Preliminary Engineering Report Yukon-Kuskokwim Crossing, Galliett & Silides, December 31, 1980.

terminus of a major river transportation system, on a par with those of the Mississippi and the Amazon systems in terms of length and relative importance to the area served. At that time it will become feasible to ship goods to and from the Yukon River system through Bethel, to the advantage of communities along both rivers.

In addition to general cargo and bulk fuel, it is anticipated that the Port of Bethel will then also handle diverse shipments such as timber harvested along the Yukon and Kuskokwim Rivers, the grain and red meat output of the Nenana Agricultural Project, and NGL's and refined crude oil products from the Fairbanks area. At that time, the Port of Bethel will increase its fuel service area toward Bristol Bay, the Alaska Peninsula, and to Norton Sound. Ties to the Asian Pacific Rim will be established for the shipment of grain, red meat and timber.

Without a plan of development, and a concerted effort to accomplish that plan, the Port of Bethel will never fulfill its future potential. Indeed, unless steps are taken to protect and expand the existing facilities, the port will fail to meet even its present obligations to its service area.

III. THE PROBLEM

The problem facing the Port of Bethel can best be described as;

A. INADEQUATE SIZE

1. The general cargo dock and staging area are too small.

The first, and last, permanent improvement to the Port of Bethel was made in 1974 to accommodate receipt and efficient handling of incoming cargo. Volume of general cargo had increased from 9000 tons in 1967 to 12,000 tons in 1972. About 25% of this cargo was transshipped.

An important additional consideration for port construction in 1974 was the abatement of riverbank loss.

General cargo incoming volumes in 1980, were in the vicinity of 20,000 tons. Transshipped tonnage was approximately 7000-8000 tons, or a processed total of about 27,000 tons. By 1985 this volume of annually processed cargo is estimated in the vicinity of 40,000 tons. In addition, approximately 40,000 tons of gravel were processed in 1980.

Bulk fuel handlings were 16.5 million gallons (1075 barrels/day), up from 6 million gallons in 1967 and 11 million gallons in 1977. Over half of the incoming bulk fuel is presently redistributed, resulting in the handling of approximately 24 million gallons annually through the port.

General cargo is now off-loaded at several locations because of the inability of the dock staging area to receive all of this cargo. The extra cost of re-handling the cargo is presently about \$20/ton. This extra handling penalty will increase as the dock becomes more congested.

Further, because of the size and frequency of incoming oceangoing barges, the transshipping barges must be anchored offshore when the ocean barges are unloading. This displacement effectively halts loading for transshipping, requiring even more staging area. In 1980, thirty-six days of river navigation period were lost. This lost time becomes more serious as volumes for transshipping increase. It is necessary to provide separate mooring facilities and additional staging area for the transshipping vessels.

2. The construction of the present general cargo dock and staging area is composed of four circular sheet steel pile cells and wing walls, giving a working frontage of approximately 240 feet. By the end of the 1980's decade, the Port of Bethel will require a general cargo dock and staging area having a frontal working area of 1000 feet for oceangoing vessels, plus several hundred feet of mooring facility in Brown's Slough for the activities related to the tugs and barges engaged in transshipping.

3. It is proposed that, during the 1981 and 1982 construction seasons, the river frontage of the dock be extended westward by the addition of two circular cells. Working frontage would thus be increased from the present 240 feet to approximately 360 feet, and offer greater security to the dock from loss by erosion.

To enable the simultaneous mooring and working of the transshipping vessels and the oceangoing barges, it is proposed, during 1981 and 1982, to widen Brown's Slough and construct 900 feet of

wall type bulkhead.* The proposed improvements in Brown's Slough will also provide adequate, safe moorage for the numerous small boats that are so important to the lives of the residents of Bethel, and of the visitors to Bethel from nearby villages.

It is proposed that the additional 675 feet of general cargo dock along the river front be constructed as rapidly as funding permits to, a) provide adequate space, b) to combat inflation, and c) to provide positive protection from erosion.

4. Essential Warehousing immediately adjacent to dock side is non-existent. When warehouse financing becomes available, the obviously best location would be at the general cargo dock, or in the immediately adjacent industrial area. No such warehousing and industrial area can be safely developed until the cargo handling facility is enlarged, and some further steps taken toward stabilizing the adjacent eroding riverbank.

5. Construction Cost Estimates** for the expansion and more efficient utilization of the Port of Bethel General Cargo Handling Facility, expressed in 1982 dollars, are as follows;

Brown's Slough Extension	\$2,220,000
Extend Dock from 240' to 360'	\$1,448,000
Extend Dock From 240' to 1,000'	\$9,432,000
Construct Warehouse	\$1,000,000

These figures do not include the total cost of land acquisition which is subsequently discussed.

* Under Construction

** Revised February 1982)

B. RIVERBANK EROSION

1. Absent the necessary sustained expansion of the general cargo handling dock and staging area as proposed in the 1971 Bethel Port Study Report², a permanent petroleum dock, warehousing and industrial area, and appurtenant bank stabilization installation, the riverbank available for these improvements is suffering serious loss from erosion. That erosion has reached a crisis stage, threatening property improvements having a replacement value of between 35-50 million dollars. Relocation costs are estimated at about \$25 million.

2. The area of immediate, crucial concern is the bulk fuel storage tank farm. A sudden, massive bank loss just upstream of the tank farm, plus lesser but substantial losses downstream makes it evident that if steps are not taken during 1981-82 to avoid a total \$9 million loss, the tank farm must;

- a) Relocate, temporarily, further from the riverbank (the plant has moved twice before), or
- b) Relocate at some locale other than Bethel.

² Medium Draft Port Facility At Bethel, Alaska, Galliett & Silides,
November 1971

The cost of a temporary relocation is estimated at \$3 million, exclusive of land acquisition costs. The estimated 1981-1982 cost of the riverbank stabilization program designed to provide the Port of Bethel with a petroleum dock and to secure the safety of the bulk fuel storage facility, is estimated at \$3,230,000. The 1981-1982 facilities are envisaged as a permanent circular cell type dock, wing walls, bulkhead, and articulated concrete mat.

To assist in maintenance, repair, and monetary contribution to following Phases of port development and bank stabilization, the City of Bethel is considering the imposition of a wharfage fee of between 1¢ to 3¢ per gallon handled over the petroleum dock. Such a fee, added to the cargo dock lease and wharfage fees, will spread the maintenance cost to all of the people in the Bethel service area, and provide a dedicated fund for matching funds to State participation in subsequent phases.

Relocation of the bulk fuel tank farm to a locality other than at Bethel will add approximately 25¢ per gallon lighterage fee to all fuel brought to Bethel and the upriver communities. At the 1980 volume

brought in and stored at Bethel, the added cost to the consumer would be \$4 million each year.

3. Industrial Expansion of marine oriented industry is severely inhibited by continuous danger posed by the unstabilized riverbank. The prime example of this is the fishing and fish processing industry.

Currently the value of fish sold at Bethel has an average wholesale value of between \$6-\$10 million. The majority of the fish are exported either semidressed (gutted) or in the round. Most were exported by air. Although barge companies have indicated a willingness to stage freezer vans for backhaul in Bethel, there is no place on the waterfront for such staging.

The value of the locally caught fish product would be substantially increased if finished pack processing could occur at Bethel. However, fish processing facilities require direct access to the river system. Before such fish processing facilities can become a reality, riverbank stabilization and dock space must occur. Lacking such stabilization and space it is impossible to attract long-term capital investment to waterfront industry. Nevertheless, development of such industry is essential to Bethel and its service area.

4. Causes of Erosion. Basically, riverbank erosion is caused by permafrost degradation, rain, wind, water run-off, and wave action generated by wind and passing boats. The erosion is not caused

directly by breakup and attendant high water. What happens is that the permafrost melts, the thawed soil sluffs to the toe and is only then removed by the river which acts as a carrier during high water periods, or when the sluffed soil is carried into the river by wave action. When that soil is removed a new layer is exposed and the process repeats itself.

5. Remedial Measures. It appears that the best method of halting the erosion process is to interpose a covering structure between the soil and the action of the wind, sun, rain, and wave. The structure(s) should have as high a utilitarian value as practical. Once begun, the entire program of port development/riverbank stabilization should be wholly completed with all reasonable speed to lessen the chance of losing the partially completed portion from eccentricities of the river

Expansion of the general cargo dock and staging area, development of a warehousing and industrial area, and the construction of a petroleum dock and appurtenances are de facto permanent, or very long-term, methods of riverbank stabilization and utilitarian use of the waterfront.

Our experience to date has shown that the safest, longest life construction is that of circular cells, such as those which comprise the existing general cargo dock. This type of

construction is also the most expensive. It is most cost effective when used for dock purposes to accommodate large oceangoing cargo vessels and fuel barges, and to absorb the impact of mooring or of very heavy cargo handling equipment.

For the mooring of the smaller transshipping vessels, a temporary small boat harbor, and for the stabilization of the warehousing/industrial area, the general cargo dock is being extended by constructing a 900 foot bulkhead along Brown's Slough, at a cost of \$2,200,000. Given the soil structure at Bethel, and the uncertainties of river bottom migration, wall type construction along the riverfront does not provide the assurance of cellular construction. However, the cost per linear frontage foot is only 40% of the cost of cellular construction. Expressed in 1982 dollars our estimate for a 1200 foot long wall type bulkhead, extending from Lot 11, Block 20 to the West side of Main Street, is \$3,812,000.*

Less certain, but, we believe, highly useful and of adequate life expectancy, is an articulated, concrete mat. We propose that such a protective concrete mat be installed between the bulk fuel storage tank farm and Main Street. In 1982 dollars, the estimated installed cost is \$5,402,000.* The cost per linear frontage foot of articulated mat construction is approximately one-tenth the cost of circular cells and one fourth that of wall type bulkhead. However, it has little utilitarian use beyond the abatement of riverbank loss and small riverboat access and tie-up.

* Revised February 1982

6. Alternative To Riverbank Stabilization. Failure to undertake an adequate riverbank stabilization program such as outlined above will result in loss past First Street by the year 2000, including likely isolation of the cargo docking facility. Loss of the tank farm is an early certainty. By the year 2030 erosion will have reached Second Avenue in some places, and will include loss of the dock. Economic and cultural losses from non-development are not calculable.

C. LAND OWNERSHIP, DESIGNATION, AND ACQUISITION

1. Ownership and Present Use

Present ownership and land use within the port development/bank stabilization area is a mixture of sometimes unrelated activity. The economic future of Bethel and the Bethel Service Area would benefit greatly from the logical resorting of these activities and land uses.

2. Needed Area Designation and Allocation

The port development/bank stabilization area described below, and shown on the plats accompanying this report, should be rezoned to port development use. It should be resubdivided, if necessary, and space for specific uses, i.e., docking, staging, warehousing, industrial, should be allocated. A dedicated street should be provided immediately adjacent to pierside for universal public access, and for dock/bulkhead/articulated mat construction, maintenance, and use. All

property within the designated area needed for construction, or which is not in conforming port development use, should be acquired by the City.

3. General Description of Port Development Area

The area that should be designated for port development/ bank stabilization purposes is described as follows;

- a) Vacated Second Avenue East of Bridge Avenue, and
- b) Between Brown's Slough and Main Street, all property south of Second Avenue and Bridge Avenue, and
- c) West of Main Street, all of Tract E, Tract B lying south and east of Mission Lake Road except Lots 33 through 41 of Block 3, all property south of First Avenue to U. S. Survey No. 4000 (PHS property), and
- d) All of U. S. Survey No. 4000 south of the State Highway, and
- e) Tracts 42, 43, and 44 west of U. S. Survey No. 4000.

4. Land Acquisition

- a) 1981-1982 Construction. For the 1981-1982 general cargo dock and staging area expansion, and to satisfy the projected space need to 1984, the City must acquire the following;