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SOUTHEAST ALASKA  
VISITOR INFORMATION FACILITY INVENTORY

by

The Southeast Alaska ANILCA Visitor Center  
Project Group

of the

Alaska Land Use Council

December 1983

## EXECUTIVE SUMMARY

The purpose of this study is to assess the need to create an information and education center in Southeast Alaska as addressed in Section 1305 of the Alaska Lands Act of 1980 (ANILCA). This was accomplished by surveying present information facilities in Juneau, Sitka, and Ketchikan to determine what public lands information is being distributed to visitors. The scope of the study was directed toward Southeast Alaska as a whole rather than toward an evaluation of the information facilities in each community.

A total of thirteen visitor facilities in Juneau, Sitka, and Ketchikan were inventoried to determine information currently available to Southeast Alaska's visitors. The project group developed a list of topics which a regional ANILCA visitor center should cover. This list was based, in part, on subjects being addressed in the ANILCA centers currently being developed in Anchorage, Fairbanks, and Tok. The services rendered by each facility in Southeast were then compared to this list.

Although facilities exist that adequately provide public lands information in some subject areas, no single facility provides the necessary regional background and perspective needed in all of the following categories: natural and cultural history, current land uses, public land location and identification, and trip planning.

The physical size of each facility was also important in that relatively large groups may have to be accommodated at one time in a regional center. The largest facilities currently in existence in Southeast are not large enough or are of a narrower scope than that required in a comprehensive regional center.

Since no facility exists which qualifies as a regional ANILCA visitor information center in Southeast Alaska, the project group is proceeding to the next tasks directed by the Alaska Land Use Council: 1) a site selection recommendation (either Juneau, Sitka, or Ketchikan as directed by ANILCA) and 2) the development of a conceptual plan for the center.

## ACKNOWLEDGEMENT

The project group wishes to thank Joseph Leahy (Davis Log Cabin in Juneau), Ann Strain (Sitka Visitors Bureau), and Leeta Rice (Ketchikan Visitors Bureau), for responding so promptly to the group's request for information. We would also like to thank the representatives of the information facilities inventoried for filling out the survey given such short notice. This report could not have been produced without the cooperation of the people providing visitor information services in Juneau, Sitka, and Ketchikan.

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## I. INTRODUCTION

Section 1305 of the Alaska National Interest Lands Conservation Act of 1980 (ANILCA) directs that:

"The Secretary of Agriculture is authorized to investigate and plan for...an information and education center for visitors to Alaska in either Juneau, Ketchikan, or Sitka, Alaska."

ANILCA also permits the Secretary to:

"...accept contributions of funds, personnel, and planning and program assistance from...State agencies, other Federal agencies, and Native representatives."

The Alaska Land Use Council (ALUC) established a project group to prepare three products relating to Section 1305:

1. A recommendation to ALUC on the need to create such an information center based on what visitor facilities currently exist in Southeast Alaska.
2. A recommendation on a site for such a center (Juneau, Ketchikan, or Sitka) should such a facility not exist.
3. A general conceptual plan for the center.

The project group consists of representatives from the following agencies and Native organizations:

Alaska Department of Fish and Game  
Alaska Division of Libraries and Museums  
Alaska Division of Tourism  
Alaska Department of Natural Resources  
Sealaska Corporation  
Tlingit and Haida Central Council  
U.S. Fish and Wildlife Service  
National Park Service  
USDA Forest Service (lead agency)

A representative from the Southeast Alaska Tourism Council also attends project group meetings.

To facilitate information exchange between the project group and the communities of Juneau, Sitka, and Ketchikan, the mayor of each municipality selected a representative to work with the group.

## II. STUDY PROCEDURE

Inventory forms (see Appendix A) were developed by the project group and distributed to major information facilities in Juneau, Sitka, and Ketchikan. Thirteen visitor information facilities in Southeast Alaska were inventoried. Each facility had to have at least 50% non-local visitation since ANILCA directs that its centers be primarily for visitors.

Inventory forms were divided into three categories (see Appendix A): facility administration, services rendered, and physical plant. Such questions as the number of local visitors, the kinds of information dispensed, and the physical size of the facility were asked. Additional information was gathered that will relate to the site selection analysis and conceptual plan preparation, should these studies be warranted.

After the completed inventory forms were returned, the relevant information was tabulated and analyzed.

The following visitor information facilities in Southeast Alaska were inventoried (managing entity in parentheses):

1. Sitka National Historical Park, Sitka (National Park Service)
2. Sitka Historical Society, Centennial Bldg. Museum, Sitka (Sitka Historical Society)
3. Castle Hill at Old Sitka State Historic Site, Sitka (Alaska State Parks)
4. Ketchikan Visitor Center, Ketchikan (USDA Forest Service, Tongass National Forest, Ketchikan Area)
5. Totem Heritage Center, Ketchikan (City of Ketchikan, Museum Department)
6. Ketchikan Visitors Bureau, Ketchikan (Ketchikan Visitors Bureau)
7. Tongass Historical Society, Inc., Ketchikan (Tongass Historical Society and City of Ketchikan)
8. Mendenhall Glacier Visitor Center, Juneau (USDA Forest Service)
9. Forest Service Information Center, Centennial Hall, Juneau (USDA Forest Service)
10. Alaska State Museum, Juneau (State of Alaska)
11. Visitor Information Kiosk, Juneau (City and Borough of Juneau)
12. Airport Visitor Information Booth, Juneau (City and Borough of Juneau)
13. Davis Log Cabin, Juneau (City and Borough of Juneau)

### III. RESULTS

A brief analysis of the following five factors will show how the project group reached its conclusion:

1. Annual number of visits to facilities
2. Main purpose(s) of facilities and types of information dispensed
3. Year-round or seasonal facility
4. Average length of visit to facilities
5. Physical size of facilities

#### Annual Number of Visits to Facilities

Considering the thirteen facilities inventoried (see Appendix B), the number of annual visits ranged from fewer than 20,000 to 125,000. Three facilities had considerably more visits than the other ten surveyed: Alaska State Museum (Juneau) with 125,000, Mendenhall Visitor Center (Juneau) with 120,000, and the Sitka Centennial Building Museum with 125,000.

Three facilities had fewer than 20,000 annual visits: Ketchikan Forest Service Visitor Center with 7,000, Juneau Visitor Information Kiosk with 16,350, and the Forest Service Information Center in Centennial Hall in Juneau with 15,000 (from April 15 to Sept. 30).

A large percentage of the visitors to these information facilities are not from the local community. For example, of the annual 120,000 visits to the Mendenhall Visitor Center in Juneau, an estimated 60% or 72,000 people are non-local. Similarly, 75% (93,750 people) of the visitors to the Alaska State Museum in Juneau are non-local. These facilities contrast with the Centennial Building Museum in Sitka where almost all visitors are from outside the Sitka area.

It is difficult to say exactly how many visitors may be attracted to a regional ANILCA visitor center in Southeast. Much of the success of, and consequently visitation to, such a center would greatly depend on its location and how well it is publicized both within and outside of Alaska.

Main Purpose(s) of Facility and Types of Information Dispensed

Six facilities listed natural or cultural history as their primary purpose (see Appendix C). This is the most common type of informational facility in Southeast Alaska. Visitor information was the primary purpose of four facilities, while recreation was the focus of two information outlets.

When primary and secondary purposes were considered together, no single category dominated.

<u>Primary or secondary purpose</u>	<u>Number of facilities</u>
Cultural or natural history.....	6
Recreation or visitor information.....	7
Educational.....	4

There was almost always a difference between the main purpose of a facility and the additional information given out on a day-to-day basis on a variety of other subjects. This exemplifies the "good host" attitude of the people managing and staffing these facilities.

Although the data shows that facilities exist which cover specific subjects, no one center gives a balanced overview of the public lands in the region. A partial exception to this is the Forest Service Centennial Hall Information Center in Juneau.

This center does specialize in the region's public lands--on activities and some history of the area. A trip planning area is also available. The concept of a regional ANILCA information center, however, calls for a broader coverage of the public lands and the cultural and natural history of the region as a whole. The centennial center in Juneau was not designed to provide this comprehensive approach.

This regional treatment is exemplified in the ANILCA centers being developed in Anchorage, Fairbanks, and Tok. These centers will present an overview of the entire State's public lands with an emphasis on local regions.

These ANILCA centers in Interior and Southcentral Alaska will be sponsored by a variety of State and Federal agencies all of which will be given equal credit for establishing the centers.

Representatives of the facilities inventoried were asked if they dispensed information about the following subjects:

- A. Natural History
  - 1. Geology
  - 2. Wildlife and Fish
  - 3. Vegetation
  - 4. Climate
- B. Cultural History
  - 1. Native
  - 2. Non-Native
- C. Current Land Uses
  - 1. Tourism
  - 2. Logging
  - 3. Commercial Fishing
  - 4. Mining
  - 5. Recreation
  - 6. Personal Use  
(fish, game, other)
- D. Public Land Location and Identification
- E. Trip Planning
  - 1. Recreation Opportunities
  - 2. Transportation Methods
  - 3. Accommodations
- F. Alaska As A Whole

More outlets (ten) offered information on Native culture and recreational opportunities than any other subjects. Geology and use of public lands for personal purposes ranked the lowest, being addressed by only five facilities.

Information outlets were not asked the specific level of their coverage of a particular subject. This is beyond the scope of the present study. The service rendered on a given subject could vary considerably from a single brochure to a complex display with detailed captions.

The Forest Service Information Center in Juneau is the only facility which indicated that it presents material on all subject areas.

#### Year-round and Seasonal Facilities

Nine facilities are operated year-round; four are open seasonally. Appendix D shows the information outlets in each category.

The four seasonal facilities are the Forest Service Mandenhall Visitor Center, Castle Hill in Sitka (Alaska State Parks), the Juneau airport information booth (City/Borough of Juneau), and the Juneau visitor information kiosk (City/Borough of Juneau).

With the five remaining facilities open year-round, a variety of recreational information and cultural and natural history interpretation opportunities are available to visitors in any season. However, these informational opportunities at a level commensurate with the ANILCA centers being established in Anchorage, Fairbanks, and Tok, are not available at a single location in Southeast Alaska.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

December 27, 1983

Mr. Fermin Gutierrez  
Administrator  
City and Borough of Sitka  
P.O. Box 79  
Sitka, AK 99835

Dear Mr. Gutierrez:

Thank you for providing me with a copy of the recent report prepared by your City and Borough of Sitka containing "Recommendations for an Information Office for Southeast Alaska."

I appreciate the importance of tourism to your community. Certainly, your suggestion of considering placing audio-visual services and information programs aboard the ferries and possibly cruise ships in place of a land-based inter-governmental center is worth considering.

Our Division of Tourism has represented the State's interest in discussions with the federal officials relating to selection of a Southeast location for interpretive and information centers. I have forwarded your report and ideas to them and advised them to see that full consideration is given to your proposal. Because I recognize the value to the traveling public of educational and information centers, I have earmarked adequate funds in the Division of Tourism budget for FY 85 to cover the State's participation in centers, not only in Southeast but Anchorage and Fairbanks, as well.

You are to be congratulated on a well-documented report.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

Bill Sheffield  
Governor

cc: Sam Seaman



December 16, 1983

Mr. David Allen  
Project Group Chairman  
Alaska Land Use Council  
Box 100120  
Anchorage, AK 99501

Dear Mr. Allen:

Your "Proposed Public Participation Plan" is aimed at solving the problem of which of three communities will win the I&E Center. Unfortunately the plan does not address how to best serve the visitors to Alaska -- and that should be the objective of your plan.

After all, the Alaska Lands Act says the I&E Center is "for visitors to Alaska," and the agencies have ample authority to broaden the planning.

You need to stop your planning and reassess your direction. Data from your agencies' consumer surveys and experience demonstrates that a land-based I&E Center will be ineffective regardless of the community that it is in. You should not be asking the three communities to invest more time and money in a competitive bidding process on this alternative. The land-based I&E Center alternative should be put to rest.

Your challenge now is to look at the alternatives, decide which will best serve the visitors to Alaska and all of the communities in Southeastern, and develop that alternative. Sitka has recommended one alternative based on the "1979 Cruiseship Survey" data; there may be others.

The Alaska Lands Act offers Southeastern a rare opportunity; take full advantage of it. Please revise your study plan to help our visitors and all of the communities in Southeastern.

Sincerely,

Rusty Dalton  
Chairman, Board of Directors  
Sitka Convention and Visitors Bureau



United States  
Department of  
Agriculture

Forest  
Service

Chugach  
National  
Forest

2221 E. Northern Lights Blvd.  
Suite 238  
Anchorage, Alaska 99508

27  
Reply to: 1620

Date: December 12, 1983

Ann Strain  
Sitka Visitors Bureau  
P.O. Box 1226  
Sitka, AK 99835

Dear Ann,

The Southeast Alaska ANILCA Visitor Center Project Group (I wish I could think of a shorter name) has submitted a proposed public participation plan to the Land Use Advisors of the Alaska Land Use Council (ALUC). The plan deals with the site recommendation part of the project group's work. A copy is attached for your consideration.

I am most concerned with the proposed dates for the public meetings in January and the presentations of the municipalities in February. I would like to ensure that these time periods meet with your approval.

The public meeting in January would include:

1. Introduction detailing the background of the study and the status of Anchorage and Fairbanks centers.
2. Public comment on the proposed selection criteria and questions addressed to the project group.

I am anticipating that the meeting be informal and possibly last 2-3 hours.

The nature of your community's presentation in February is up to you. Slides, drawings, and a narrative of your proposal(s) would be welcome. There is no time limit for the presentation -- whatever you feel is appropriate. Your community may not want to have one proposal, but rather a number of alternatives. Part of the presentation may also be a visit to the proposed site(s). Project group members will probably want to ask questions.

I hope that these comments will help you prepare your presentation. If you have any questions, please let me know.

Sincerely,

DAVID L. ALLEN  
Project Group Chairman

Enclosure



SOUTHEAST ALASKA ANILCA VISITOR CENTER  
PROJECT GROUP

of the

ALASKA LAND USE COUNCIL

PROPOSED PUBLIC PARTICIPATION PLAN  
FOR SOUTHEAST ALASKA VISITOR CENTER SITE SELECTION

The Alaska Land Use Council has directed the project group to accomplish three tasks: 1) determine the need to create an ANILCA visitor center in Southeast Alaska, 2) recommend to ALUC a site for such a center (Juneau, Sitka, or Ketchikan as directed by ANILCA), and 3) prepare a conceptual plan for the center.

The following is the proposed public participation plan developed by the project group for the second product listed above, the site recommendation process.

<u>Accomplishment Date</u>	<u>Task</u>	<u>Responsibility</u>
Jan. 6, 1984	<u>Proposed</u> site selection criteria developed.	Project Group
Jan. 10, 1984	Mailout to mailing list (legislators, media, community groups, agencies, municipalities, etc.). Mailout will contain background information on study, proposed selection criteria, dates of public meetings and request for comments on proposed selection criteria.	Project Group
Jan. 23-27, 1984	Public meetings in Juneau, Sitka, and Ketchikan. Purpose: to receive public comment on proposed site selection criteria and study in general.	Project Group & Communities
Feb. 6, 1984	Final site selection criteria determined. Notify communities.	Project Group
Feb. 13-17, 1984	Municipalities to give presentations to project group on their proposals for visitor center in their communities. (Presentations will be given in Juneau, Sitka, and Ketchikan.)	Communities & Project Group

Feb. 20-29, 1984	Data analysis and site recommendation determination.	Project Group
Mar. 1, 1984	Report issued to Alaska Land Use Council recommending site for visitor center.	Project Group
Mar. 1 through April 1, 1984	Communities have opportunity to comment on results of site recommendation study.	Communities of Juneau, Sitka, & Ketchikan
April	Presentation of Project Group recommendation and opportunity to comment by the Land Use Advisors.	Project Group
May	ALUC action on Project Group recommendation.	ALUC

SCVB should send copies of the following letter (and the report) to visitor bureaus or C of C of all of the communities and to SATC with a request that they review it and, if they agree, to write similar letters of endorsement.

Signed by the mayor and on City/Borough letterhead, the following letter should be sent to:

OFFICE OF THE GOVERNOR  
Bill Sheffield, Governor  
Third Floor, State Capitol  
Pouch A  
Juneau, Alaska 99811

Mr. John Sandor  
Regional Forester  
USDA-Forest Service  
Box 1628  
Juneau, Alaska 99801

*Done*

Mr. David L. Allen  
Project Group Chairman  
Alaska Land Use Council  
P.O. Box 100120  
Anchorage, Alaska 99510-0120

Dear Mr. Allen:

Enclosed is a copy of a report, "Recommendations for an Information Office for Southeast Alaska." This report was prepared for the City and Borough of Sitka in response to the October 6 letter of Mr. David L. Allen of the Alaska Land Use Council.

The 1979 "Cruisehip Survey" underlined the importance of interpretive programs to our visitors. While there have been some good programs on the cruiseships at Glacier Bay and on the State ferries, there are few audio-visual programs specifically about Southeast Alaska.

The visitor industry is an increasingly important part of Sitka's economy, as it is to Southeast and the State. We recently joined with the Southeast Alaska Tourism Council in the marketing of Southeast Alaska as a whole, because it makes good economic sense. Now the Federal and State agencies have the opportunity to help the communities make Southeast a more popular destination through improved interpretive and information programs.

If the available money for an I&E Center were spent on a building and staff in one of the communities, it would not benefit a significant percentage of the visitors to Southeast Alaska. And the center would not materially help the communities or the visitor industry.

This money should be spent on programs for the visitor. Programs that will be used on State ferries and cruiseships and at other existing public facilities. This will be of the greatest value to the visitor and will help all communities in Southeast Alaska.

We endorse the recommendations in this report. Please give it your serious consideration.

Sincerely,

~~John D. Dupovich~~  
Mayor *ROCKY*

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RECOMMENDATIONS FOR AN INFORMATION AND EDUCATION CENTER  
IN SOUTHEAST ALASKA.

by Sitka Convention and Visitors Bureau  
October 13, 1983

I. INTRODUCTION AND SUMMARY

The Alaska Land Use Council has appointed a study group to investigate and plan for an Information and Education Center in Southeast Alaska. The study group requested information that will help them: (1) determine whether a need exists for such a center, (2) select a site for the center in either Juneau, Ketchikan, or Sitka, and (3) develop a conceptual plan for the center. This report is the City and Borough of Sitka's response to the Alaska Land Use Council.

Section 1305 of the Alaska Lands Act authorizes this study for an I&E Center in either Juneau, Ketchikan, or Sitka. The legislative history makes it clear that the I&E Center is to provide information and interpretive programs for the visitors to Alaska and encourages cooperation of Federal and State agencies in doing so. The Act, however, does not define an I&E Center nor restrict the agencies in their planning. The Alaska Land Use Council can base their decision on what will best serve the visitor to Alaska.

A. THE NEED FOR A CENTER.

There is a definite need for better information and interpretive programs specific to Southeast Alaska.

1. Information Reference Book. The Forest Service has a "Community Opportunity Guide", used on the ferries and in Forest Service offices, that could be used as a model. The "Community Opportunity Guide" needs to be expanded to include a comprehensive description for each community of all visitor facilities, services, and recreation opportunities regardless of jurisdiction. The Alaska Land Use Council needs to adopt standards and give direction to the agencies for the preparation of this information reference book.

2. Interpretive Programs. The State Division of Tourism's cooperative marketing program has been very successful in bringing visitors to Alaska. A good series of interpretive programs will help the visitors understand and appreciate what they are seeing while they are in Alaska; thus, the trip will be more valuable to the visitor. The State and communities can benefit by a better understanding among visitors of local needs and problems; this will help the State counter their "blue-eyed Arab" image. And the agencies can benefit from a deeper appreciation of the lands and resources they manage; this can make their management easier and decrease costs due to littering and vandalism.

**B. LOCATION OF THE I&E CENTER.**

The I&E Center should be located in the city where agency representatives can most easily meet to develop and coordinate their projects. Juneau is the most likely location, but the location of the center should not concern the communities if the basic concepts recommended in this report are followed.

**C. I&E CENTER CONCEPTS.**

The I&E Center will not have a building nor permanent staff. Rather, the I&E Center is the center for development and distribution of information and interpretive programs about Southeast Alaska.

These programs will be used on the State ferries and cruiseships and at existing information offices, reception areas, and other points of public contact. The programs will use video-discs and other techniques that allow the visitor to enjoy the program with minimum impact on employee time. To the maximum extent possible, the available money will be used for the development and maintenance of programs for the public.

**Summary of other findings:**

Since 87% of the tourists travel on cruiseships or ferries, it is relatively easy to get information and interpretive programs to these visitors aboard ship. Aboard ship, the tourist has the time to view programs and study information; surveys show that 63 percent of the passengers participate in ship-board auditorium programs. These passengers can be expected to participate in several programs during their trip and to study each community's information before arrival at the community. Because the programs can be shown before the ship arrives at a subject community or attraction, the programs are of maximum value to the tourist. The same information and appropriate interpretive programs can be made available to tourists traveling by air at existing agency reception areas and other points of public contact.

On the other hand, travel patterns in Southeast reduce the usefulness of an I&E Center in any community. Travel is 67 percent northbound and 33 percent southbound. Hence, Juneau is near the end of the trip through Southeast for two-thirds of its visitors. Information dispensed in a land based I&E Center will not be timely for a significant portion of the visitor. In addition, surveys indicate that less than 5 percent of the visitors are using existing land based I&E Centers. Of those visiting these centers, few would have the time to participate in more than one program. The combination of low visitation rates at existing I&E Centers and the north- and southbound travel makes an I&E Center in either Juneau, Ketchikan, or Sitka of little value to the visitor or to the communities of Southeast Alaska.

This report contains a lot of statistics which can not be approached lightly. We suggest reading the summary at the head of Sections II, III, and IV and all of Section V. Then if you want to delve into the details of any section, do so. We have included all of the statistics that we used in coming to our conclusions -- and we referenced our sources -- so that you can struggle through the statistical jungles as we have done.

### III. EVALUATION OF THE I&E CENTER LOCATION.

**SUMMARY:** Providing information and interpretive programs on the ferries and cruiseships will reach 53 percent of the tourists. A shore-based I&E Center in either Juneau, Ketchikan, or Sitka will not reach more than 2 percent of the tourists at the beginning of their trip through Southeast. The greatest benefit to the visitor, communities of Southeast, and visitor industry will come from providing the programs primarily on the ferries and cruiseships.

#### **A. DATA ON VISITORS TO SOUTHEAST ALASKA.**

Note: More complete descriptions of cited references and notes about the tables are given in Section VI of this report.

Southeast Alaska lacks an inter-connected road system. Hence, virtually all visitors travel to and within Southeast by commercial jet-aircraft, cruiseship, or State ferry. This gives groups that serve the visitor relatively easy ways to measure and survey the visitor. Visitors can be measured by the number of tickets sold, and visitor surveys can be made at relatively few access or departure points. Fortunately, the basic visitor surveys have been made.

The National Park Service and USDA-Forest Service conducted the 1979 "Cruiseship Survey"<sup>(1)</sup> to help the agencies and tourism groups understand this large segment of Southeast's visitors. This survey provides a baseline description of the cruiseship passengers and of their activities, interests, and value systems. The survey was taken specifically to help agencies and tourism groups plan and develop "a regional and statewide interpretive network". These survey findings should be the basis for planning any information or interpretive program.

The Alaska Department of Transportation and Public Facilities conducted a "Transportation User Survey"<sup>(2)</sup> from October 1981 through September 1982. This survey provides a baseline description of ferry and jet airline passengers and their primary purpose for taking the trip.

In the following tables, the number of cruiseship passengers is for 1983 and is in terms of visits to the community. Its source is a telephone canvass of the cities made by the Sitka Convention and Visitors Bureau in October 1983.

Data about visitors traveling by ferry or air comes from Table D and Figure 3 of the "Transportation User Survey". The data is for "boardings" at the community. Only commercial jet airplane travel is included in that survey.

Table 1. Total Tourist Travel to Southeast Alaska.

This table gives the number of Southeast's tourists boarding ferries or jet aircraft at ports of embarkation.

PLACE	<u>Tourists to Southeast</u>		
	<u>Ferry</u>	<u>Air</u>	<u>Total</u>
Seattle	9,980	16,568	26,548
Prince Rupert	14,021	00	14,021
Skagway	13,104	00	13,104
Haines	17,110	00	17,110
Anchorage	00	12,802	12,802
Totals	<u>54,215</u>	<u>29,370</u>	<u>83,585</u>
Percentage	65%	35%	

We lack Southeast-wide cruiseship statistics for 1983. The greatest number of cruiseship passengers visit Juneau. Hence, we used Juneau's 101,750 cruiseship visitors (Table 2) as a total for Southeast. Therefore, total tourists visiting Southeast is 185,335.

The ferry and air visitors are 49% northbound and 51% southbound. The 1979 "Cruiseship Survey" shows that 18.3% of cruiseship passengers boarded at Juneau or Skagway. Probably, there was a higher percentage of southbound visitors in 1983. This is due to the increasing use of Juneau, Skagway, and possibly Haines to transfer passengers to or from air or bus tours. Lacking better data, we used 18.3% of Juneau's 101,750 cruiseship passenger. The total of ferry, air, and cruiseship visitors is 67% northbound and 33% southbound.

Table 2. Tourist Visits to Southeast Communities.

Place	Ferry	Number of Tourists		Total
		Air	CrShip	
Ketchikan	21,059	11,079	98,072	130,210
Sitka	8,133	7,614	57,200	72,947
Juneau	24,508	25,326	101,750	151,584
Sub-Total	53,700	44,019	257,022	354,741
Percent	15%	12%	72%	
Petersburg	6,865	00	1,440	8,305
Wrangell	3,801	00	3,990	7,791
Skagway	13,104	00	53,186	66,290
Haines	17,110	00	12,510	29,620
Sub-Total	40,880	00	71,126	112,006
Total	94,580	44,019	328,148	466,747

In ranking Ketchikan, Sitka, and Juneau by number of visitors, Sitka has 48% and Ketchikan 86% of Juneau's visits.

We included Petersburg, Wrangell, Skagway, and Haines as reference material. Visitors to these communities will be served from the proposed I&E Center and should be considered in selecting the location.

Table 3. For Each I&E Center Location: How Many Tourists Will Have Information Available To Them At The Beginning Of Their Trip Through Southeast?

Location	No. of Tourists	Percent of Total
Ketchikan	87,241	47%
Juneau	50,023	27%
Cruiseship/Ferry	155,965	84%
Total SEA Tourists	185,335	100%

For Juneau and Ketchikan, we used their total tourist visits times 33% southbound passengers for Juneau, and 67% northbound passengers for Ketchikan. Sitka is not included because it is either at the end of the trip or a side trip for most visitors to Southeast Alaska.

We introduced the Cruiseship/Ferry as a place, because this is a location currently used for supplying information and interpretive programs to visitors.

### B. SURVEY OF EXISTING INFORMATION OFFICES.

One of the most reliable ways to forecast the visitor's use of a new I&E Center is to study the use at existing I&E Centers. The following information about use at existing I&E Centers was gathered by the Forest Service in 1981-82.

1. Juneau. The Cruise Ship Survey, Table 27, shows that a total of 4.8% of the passengers visited the State and Federal Office buildings. Since this is from a statistically sound survey, it is a possible estimating guide for a new I&E Center. To check to see how reasonable 4.8% is we compared it to actual use at the existing Juneau I&E Centers.

The Forest Service and Park Service had a joint information office in the Federal Building. That office reported a yearlong total of about 12,000 information visitors. If 4.8 percent of Juneau's tourists visited this office, that would be about 7,250 visits or 60 percent of their yearlong total. This percentage seems high. In addition to types of information that tourists would be interested in, this office handles recreation cabin reservations, free firewood programs, and land management planning information which are programs used primarily by local residents. However, the 4.8% visitation reported in the Cruiseship Survey was for all State and Federal offices and not just this I&E Center. Hence, the visitation to the information office would have been less.

On April 15, 1983 the Forest Service opened a new information office in the Juneau Centennial Center (convention center). Between its opening on April 15 and September 30, the information office received 16,000 visits. All cruiseship passengers and at least 75 percent of other tourists would have visited Juneau during this time period. If 7,250 of the visits were by tourists it would be 45 percent of the total use for this office. Much of the increased visitation at this location has been drop-in visits by people attending other functions in the convention center. Convention center activities in this time period attracted, to a large extent, local residents — conventions and business meetings will add to the drop-in visits to this information office in the future. However, part of the increased visits is probably due to the movies shown in this I&E Centers auditorium which would attract additional tourists. With the increasing drop-in trade and brown-bag movies, it is difficult to separate the number of visitors from local trade. However, it does not appear that more than 4.8 percent of the visitors to Juneau are using this I&E Center.

2. Anchorage Interagency Information Office. This office is a part of the National Park Service offices in downtown Anchorage and is staffed to answer questions about both Federal and State agencies.

The 1980 use was about 21,000 visits for information and 5,000 visits by tourists to attend movies or slide programs (there was an additional 5,000 visits by employees from local businesses to attend

"brown-bag" or lunch-time movies, which we are not counting). Reported visitors to Anchorage were 500,000 and the area population is about 200,000. Hence, this I&E Center was used by 3.7% of the local residents and visitors combined.

3. Ketchikan. The Forest Service maintains a display room next to their reception area in the old Post Office building. This I&E Center is about two blocks from the cruiseship dock and is on the walking tour route. Use in 1981 was 3,000 visitors. With 130,210 tourists and 12,000 area population, the I&E Center was visited by 2.1% of the local residents and tourist visitors.

None of the existing I&E Centers has attracted 4.8 percent of the number of tourists visiting the community. Hence, 4.8% is a realistic upper limit for estimating the number of tourists who will use a shore-based I&E Center. We rounded this upward to 5% for use in calculations made in Section III-D.

#### C. USE OF PROGRAMS BY TOURISTS ON-BOARD CRUISESHIPS AND FERRIES.

1. Participation in Glacier Bay Programs from Table 53 of the "Cruiseship Survey".

At Glacier Bay, the Park Service boards the cruiseships to present information over the public address system and in the auditorium. Note the high degree of participation here in contrast to the downtown I&E Centers. About 99% of the participants expressed satisfaction with these programs.

<u>Activity</u>	<u>Percent Participating</u>
a. Rangers Comments over Public Address System	95.6
b. Programs in Auditorium	63.0

2. Participation in Interpretive Programs Aboard the State Ferries.

The Forest Service conducts programs aboard the mainline ferries from the end of May to mid-September. Their statistics can not be broken out on a basis similar to the cruiseship data. However, percentage of participation is high and may rival the Glacier Bay figures for the people traveling on the ferries for Tourism/Recreation purposes. During the period of the Forest Service programs, about 70 percent of the ferry passengers are Tourist/Recreation travelers (page 21, "Transportation User Survey").

3. Other Examples of Telling Information to the Public.

Another survey with similar results to the above data is "Communicating With Wilderness Users" by James Fazio, University of

Idaho, 1978. This was a survey of visitors to western National Forests and Parks. There too, the forests and parks that took appropriate information to places used by the visitor contacted over 50% of the visitors. Those that tried to attract the visitors to offices had dramatically poorer results.

At one time, the Forest Service had a small Interpretive Services program for visitors at Ward Lake. While tourist visits to Ketchikan in 1971 were only a fraction of what they are today, total visits to the Ward Lake facility in 1971 were 3500 as compared to 3000 visits in 1981 to the downtown I&E Center. This adds support to the survey findings; visitors will participate in programs at-the-attraction at a rate several times that of programs in I&E Centers.

Another example of this is Mendenhall Glacier vs. the Forest Service downtown information office. The "Cruiseship Survey" shows that 77.4% of the passengers visited Mendenhall while less than 4.8% visited the downtown information office.

The availability of time to participate may account for the substantially higher rates of participation in shipboard programs. Once ashore, the visitors time is limited. A visit to an I&E Center for information or to see a program takes time from shopping or visiting an attraction. On shipboard, the passenger has time to review information for planning a trip ashore and to participate in programs that broaden their understanding of what they are seeing. The 63% participation rate at Glacier Bay for auditorium programs is reasonable for estimating participation in auditorium type programs purposes and is used in Section III-D.

The following is worth noting, even though it is not used in the tables or comparisons. Interested passengers are likely to participate in several interpretive programs and use information for detailed planning before visits to each community. Hence, shipboard interpretive and information programs can be of more value to the passengers than similar programs at a shore-based I&E Center.

#### D. VALUE TO THE VISITOR AND TO SOUTHEAST ALASKA'S VISITOR INDUSTRY OF AN I&E CENTER AT VARIOUS LOCATIONS.

1. Total tourists visiting Southeast Alaska are 185,335.
2. Total tourists visiting Ketchikan are 130,210 (70% of the total to Southeast); of these, 87,241 are northbound. Hence, an I&E Center used by 5 percent of the visitors to Ketchikan would be serving 3.5 percent of the total tourists, but only 2.3 percent at the beginning of their trip through Southeast. Put another way, an I&E Center in Ketchikan would have to draw seven times as many people as the existing Forest Service information office in order to serve 10 percent of the tourists at the beginning of their trip.

3. Total tourists visiting Juneau are 151,584 (82% of the total to Southeast); of these, 50,023 are southbound. Hence, an I&E Center used by 5 percent of the visitors to Juneau would be serving 4.1 percent of the tourists, but only 1.3 percent at the beginning of their trip through Southeast. The I&E Center would have to draw nearly eight times as many tourists as the existing Forest Service I&E Center in the Juneau Centennial Center in order to serve 10 percent of the tourists at the beginning of their trip.

4. Total tourists visiting Sitka are 72,947 (39% of the total to Southeast); an unknown, but small percentage would enter Southeast through Sitka. An I&E Center used by 5 percent of tourists visiting Sitka would be serving 2 percent of the tourists visiting Southeast and a negligible percentage at the beginning of the trip through Southeast.

5. There are 155,965 tourists traveling on cruiseships and ferries and 63% (98,258 tourists) can be expected to use the auditorium programs and information; hence, programs on the cruiseships and ferries will benefit 53% of the tourists visiting Southeast Alaska. Therefore, shipboard programs will reach, in a timely manner, 41 times as many tourists as Juneau and 23 times as many tourists as Ketchikan.

#### IV. DISCUSSION OF A TENTATIVE BUDGET.

**SUMMARY:** We recommend an initial investment budget of \$2 million and an annual operating budget of \$200,000 (not including agency overhead or supervision costs).

Since the law did not establish guidelines, we looked to the proposed Anchorage I&E Center as an example. The Alaska Land Use Council has already approved the investment budget for submission to Congress and the State Legislature.

The investment budget for the proposed Anchorage I&E Center is \$2,000,000; \$600,000 of this amount is for a movie. Part of the investment budget is for building renovation work which will reduce the space rental rate. Hence, in estimating (we do not have their proposed operating budget) the annual operating budget, we used \$15 per square foot -- the normal rate for GSA office rentals is \$27 per square foot. The new I&E Center will occupy 9200 square feet in the old Post Office building. Hence, the annual space rental is estimated at \$138,000. To staff the I&E Center with two people, five, eight-hour-days per week October through April and seven twelve-hour-days May through September, would cost \$50,000 per year. Therefore, space rental and staffing would cost \$188,000. Beyond those costs are brochures and other supplies, maintenance of displays and equipment, and development of new programs. A total operating budget of \$200,000 seems minimal and does not include agency overhead or supervision.

If the new Anchorage I&E Center increases its visits to 5% of the total of visitors and residents (700,000), the number of annual visits would be 35,000. A \$2 million investment budget is \$57 per visit and the operating budget of \$200,000 is \$5.71 per visit.

In Southeast, a \$2 million investment budget for programs for the cruiseships and ferries would have 98,258 visitors (Section III-D-5) participating -- \$20.35 invested per visitor. An annual operating budget of \$200,000 would be \$2.03 per participating visitor.

Obviously, taking the information and interpretive programs to the visitor aboard the cruiseships and ferries is more cost effective than a shore-based I&E Center. The Southeast I&E Center program could have an investment budget of \$5.6 million and still be comparable to Anchorage on a dollar per participating visitor basis.

However, for planning purposes, we believe the Southeast I&E Center budget should be similar to Anchorage's; \$2 million for initial investment and \$200,000 for annual operating costs (plus agency overhead and supervision as at Anchorage).

#### V. RECOMMENDATIONS WITH COMMENTS.

**A. THE I&E CENTER BUDGET SHOULD BE \$2 MILLION FOR INITIAL INVESTMENTS. THE ANNUAL OPERATING BUDGET SHOULD BE \$200,000 PLUS AGENCY OVERHEAD AND SUPERVISION.**

This budget is similar to the Anchorage I&E Center. Southeast's budget and records of use should be periodically compared to similar data for the Anchorage I&E Center. Successes at one center should be shared with other centers.

**B. THE I&E CENTER SHOULD BE LOCATED WHERE AGENCY REPRESENTATIVES CAN MOST EASILY MEET TO PLAN AND COORDINATE PROGRAMS FOR THE CENTER.**

Probably, this is Juneau. However, the communities should not be concerned about the location, if the remaining recommendations in this report are adopted.

**C. THIS I&E CENTER SHOULD NOT HAVE A BUILDING NOR ANY PERMANENT STAFF. THE CENTER SHOULD PLAN, DEVELOP, AND DISTRIBUTE INFORMATION AND INTERPRETIVE PROGRAMS SPECIFICALLY ABOUT SOUTHEAST ALASKA.**

The role of Southeast's I&E Center should be to:

1. Prepare and maintain a plan for interagency information and interpretive programs.
2. Develop interpretive or information programs.
3. Develop standards for and direct the preparation and maintenance of an interagency information reference book.

4. Establish direction for the storage and distribution of interpretive and information programs and materials.

5. Encourage participation of Native groups, communities, and the travel industry in the I&E Center's planning and operations.

**D. STRESS PUBLICATIONS, REFERENCE MATERIALS, AND VIDEO- PROGRAMS FOR USE AT EXISTING FACILITIES.**

The available funds should be channelled into programs, primarily video-programs, that can be used at existing facilities. The goal should be to expand the usefulness of existing personnel and facilities. Reference materials should be designed for study by the public with a minimum of employee help. Video-programs should be on disc to minimize employee time; the ultimate would be use of automated systems from which the visitor can make their own program selections.

Video-disc programs would be useful whether there is interpretive staffing or not. Video-discs would extend the interpretive programs to visitors on the smaller ferries, in the off-season, and on the Seattle run.

The recommended budget should produce twenty to thirty video-programs initially and allow the addition of two or three new programs each year.

**E. THE I&E CENTER PROGRAMS ARE IN ADDITION TO THE AGENCY'S REGULAR PROGRAMS AND NOT A SUBSTITUTE FOR THEM.**

A program such as interpretive signs or brochures at Skagway's pioneer cemetery should remain a local agency function. However, a video-program about the goldrush activities in the inland passage is an appropriate subject for the I&E Center. The local agency plans need to be coordinated with the I&E Center plans.

The communities should supply their own orientation programs for use on the ferries and cruiseships. However, the State could offer technical support to the communities in producing these programs. I&E Center programs should deal with broader subjects than an individual community.

**F. USE THE "CRUISESHIP SURVEY" AND OTHER CONSUMER SURVEYS TO DEVELOP PROGRAMS RESPONSIVE TO PUBLIC NEEDS AND PREFERENCES.**

The "Cruiseship Survey" provides excellent data for developing a consumer oriented plan. The I&E Center should keep participation records and conduct surveys periodically to keep the program cost effective.

People whose business is dealing with the public need to be involved too. Representatives of the Southeast Alaska Tourism Council and the travel industry should be consulted.

**G. DEVELOP COOPERATIVE, INTERAGENCY INFORMATION REFERENCE BOOK.**

The "Community Opportunity Guide" developed by the Forest Service is an example of a useful tool and could be used as a model. The "Community Opportunity Guide" is a desktop reference notebook containing fact sheets about the communities served by the ferries. Services, facilities, and recreation opportunities are discussed regardless of the agency having jurisdiction.

Because it is a reference book and not intended for distribution, it can contain much more detail about a community than the Division of Tourism trip planning materials or other publications. The information can be used either by an employee to answer questions or by a visitor who is planning a trip to a community.

The existing "Community Opportunity Guide" is primarily the work of Neil Hagadorn who prepared it for the interpretive program aboard the State ferries. Standards for the Guides need to be agreed to by all agencies so that the Guide will receive adequate priority for preparation and maintenance and so that information is prepared in a uniform manner.

This need not be a major new task for the agencies. The material, however, needs to be improved and expanded each year with the help of the communities. The book should describe all facilities, services, and recreation opportunities that would interest the tourist. The information should be packaged by community so that all facilities, services, and recreation opportunities that are logically accessed from that community are included in one "chapter" of the book.

Copies of the "Community Opportunity Guide" ought to be available on every cruiseship and ferry. Sufficient copies should be available for use as a reference source by employees and for visitors to study in planning their visits ashore. Copies should also be available in agency reception areas, Chamber of Commerce offices, and other public contact points. Copies should be sent to appropriate offices in other states such as the Forest Service/Park Service office in Seattle.

**VI. CITED REFERENCES & EXPLANATORY NOTES ABOUT THE TABLES**

**A. CITED REFERENCES**

(1) "A Statistical Summary of Selected Data from the 1979 Alaska Cruiseship Passenger Survey" by Barbara A. Koth for the National Park Service and U.S. Forest Service, March 1980.

(2) "Southeastern Alaska Transportation User Survey" by Tippetts-Abbett-McCarthy-Stratton, P.C for the Alaska Department of Transportation and Public Facilities March 1983.

B. NOTES ABOUT THE TABLES.

Table 1. While some of the business and other classes of travelers may use an I&E Center, we lacked usable sub-categories to include these visitors. The Tourist/Recreation traveler is the most reliable way of comparing communities and alternatives. Hence, we report only the Tourist/Recreation class of traveler in the tables. For brevity, we use just "tourist" in a number of places.

2. Table 2. The "Transportation User Survey" did not list airline statistics for Petersburg or Wrangell. We used Skagway's 1979 cruiseship data pending receipt of their 1983 data. We used our own estimate of 16 Majestic Explorer (capacity: 90 people) visits to Petersburg, because Petersburg did not have a record of cruiseship visits.

In their reports of cruiseship data, Juneau gave 185 ship visits and 100,000 passengers for an average of 540 passengers per ship; Sitka 104 ships, 58,321 passengers, and 560 passengers per ship; Ketchikan 156 ships, 98,072 passengers, and 629 passengers per ship. Ketchikan is significantly higher in the average number of passengers per ship. In an attempt to be fair to each city, we first leveled the cities by using 550 passengers per ship for each. We ran the various tables that way and then with the data as supplied by the cities; the differences in percentages of visitors served is too small to affect the outcome. Hence, we changed Ketchikan's cruiseship passengers back to the 98,072 passengers that they reported.

--END--

# Alaska Land Use Council

1689 "C" Street, Suite 100  
P.O. Box 100120  
Anchorage, Alaska 99510-0120  
(907) 272-3422 & 271-5485 (FTS)

October 6, 1983

Ann Strain  
Sitka Visitors Bureau  
P.O. Box 1226  
Sitka, Alaska 99835

Dear Ann:

Section 1305 of the Alaska Lands Act of 1980 (ANILCA) directs the Secretary of Agriculture to investigate and plan for an information and education center in Southeast Alaska. A project group has been formed under the Alaska Land Use Council (ALUC) to address the following issues related to Section 1305:

1. Determine whether a need exists for such a center in Southeast Alaska.
2. If a need does exist, recommend to ALUC a site for the center (either Sitka, Ketchikan, or Juneau).
3. Develop a conceptual plan for the center.

To help the project group accomplish the first goal of the study, we are asking for your help. The deadline for completion of the "need" study is December 1, 1983.

Would you distribute copies of the enclosed questionnaire to as many visitor facilities as possible in your community?

To allow time for data analysis, development of conclusions, and document preparation, we would like the questionnaires returned to John Pearson at the Alaska Division of Tourism, Pouch E, Juneau, AK 99811 by October 17, 1983. To expedite the procedure, it might be best if the questionnaires from your community could be returned together through your office.

If you have any questions about the questionnaire, please contact me at the Chugach National Forest in Anchorage at 279-5541

We realize that time is short and will greatly appreciate your assistance.

Sincerely,



DAVID L. ALLEN  
Project Group Chairman

Enclosure

MSG 84-00037363 PRTY 1 04/19/84 17:00:42 CRIG: SIT\$ IN= 0009 OUT= 0157  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POM

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TO: SENATORS FAHRENKAMP, ZIEGLER, ELIASON, P. FISCHER, V. FISCHER,  
MULCAHY, AND STURGULEWSKI

FROM: ALICE HARRIGAN  
BOX 196  
SITKA, AK. 99835

RE: SJR 44

RECOMMEND THAT YOU DON'T TAKE A POSITION ON THE LOCATION OF THE ANILCA  
VISITOR INFORMATION CENTER. BOTH COMMUNITIES MADE PRESENTATIONS TO  
THE STUDY GROUP. THEY SHOULD BE THE DECISION MAKERS. THIS IS NOT  
SOMETHING YOUR COMMITTEE SHOULD BECOME INVOLVED WITH.

-----SITKA LIO, 4-19-84, 37363-----



# Sitka Visitors Bureau



TO: SENATE RESOURCE COMMITTEE

FROM: THE SITKA CONVENTION AND VISITORS BUREAU

RE: SENATE RESOLUTION 44

THE SITKA CONVENTION AND VISITORS BUREAU IS OPPOSED TO THE SENATE RESOURCE COMMITTEE TAKING A STAND ON THE LOCATION OF THE ANIĆA VISITOR INFORMATION CENTER TO BE LOCATED IN EITHER SITKA OR KETCHIKAN. IT SHOULDN'T BE THE UNDERTAKING OF YOUR COMMITTEE TO SET THE COMMUNITIES IN SOUTHEAST ALASKA AGAINST ONE ANOTHER, BUT RATHER, TO ALLOW THE PRESENTATIONS OF EACH OF THESE COMMUNITIES TO STAND ON THEIR OWN MERIT.

-----SITKA LIO, 4-19-84, 37346

TO: SENATORS FAHRENKAMP, ZIEGLER, ELIASON, V. FISCHER, P. FISCHER,  
MULCAHY, AND STURGULEWSKI

FROM: RUSTY DALTON  
BOX 318  
SITKA, AK. 99835

RE: SJR 44

IT SHOULD NOT BE YOUR DUTY TO RECOMMEND WHERE THE ANILCA VISITOR  
INFORMATION CENTER BE LOCATED. I OPPOSE YOUR COMMITTEE TAKING A  
STAND ON THIS ISSUE.

-----SITKA LIO, 4-19-84, 37346

MSG 84-00037357 PRTY 1 04/19/84 16:56:23 ORIG: SIT# IN= 0008 OUT= 0155  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POMS

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TO: SENATORS FAHRENKAMP, ZIEGLER, ELIASON, PAUL FISCHER, VIC FISCHER,  
BOB MULCAHY, AND STURGULEWSKI

FROM: PAMELA LAUDERT  
BOX 941  
SITKA, AK. 99835

RE: SJR 44

DON'T TAKE A STAND ON THE ANILCA VISITOR INFORMATION CENTER.

-----SITKA LIO, 4-19-84, 37357-----

MSG 84-00037346 PRTY 1 04/19/84 16:37:11 ORIG: SIT# IN= 0006 OUT= 014  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POMS

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TO: SENATOR RICHARD ELIASON

FROM: ANN STRAIN  
SITKA CONVENTION AND VISITORS BUREAU  
BOX 1226  
SITKA, AK. 99835

RE: SJR 44

WE UNDERSTAND THAT RESOLUTION 44 WILL BE DISCUSSED AT YOUR MEETING ON MONDAY. WE RECOMMEND THAT YOU ATTEND AND DEFEAT THIS MEASURE ONCE AND FOR ALL. WE ARE OPPOSED TO THE SENATE RESOURCE COMMITTEE TAKING A STAND ON THIS ISSUE -- THE PRESENTATIONS OF SITKA AND KETCHIKAN SHOULD BE ALLOWED TO STAND ON THEIR OWN MERIT.

TO: SENATORS FAHRENKAMP, ZIEGLER, ELIASON, P. FISCHER, V. FISCHER,  
MULCAHY, AND STURGULEWSKI

FROM: CYNTHIA LYNN STEDMAN  
118-3 OSPREY ST.  
SITKA, AK. 99835

SUGGEST YOU DON'T MAKE ANY RECOMMENDATIONS ON THE ANILCA VISITOR  
INFORMATION CENTER. THIS SHOULD COME FROM THE STUDY GROUP AS A  
RESULT OF PRESENTATION BY THE COMMUNITIES.

-----SITKA LIO, 4-19-84, 37352-----

TO: SENATORS FAHRENKAMP, ZIEGLER, ELIASON, P. FISCHER, V. FISCHER,  
BOB MULCAHY, AND STURGULEWSKI

FROM: DEBBIE LOREE  
BOX 2214  
SITKA, AK. 99835

RE: SJR 44

I OPPOSE YOUR COMMITTEE TAKING A STAND ON THE LOCATION OF THE ANILCA  
VISITOR CENTER.

-----SITKA LIO, 4-19-84, 37352-----

MSG 84-00037352 PRTY 1 04/19/84 16:43:48 ORIG: SITK IN= 0007 OUT= 0151  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POMS

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TO: SENATORS FAHRENKAMP, ZIEGLER, P. FISCHER, V. FISCHER, MULCAHY  
STURGULEWSKI, AND ELIASON

FROM: ANN STRAIN  
BOX 944  
SITKA, AK. 99835

RE: SJR 44

I OPPOSE YOUR COMMITTEE TAKING A STAND ON THE LOCATION OF THE ANILCA  
VISITOR INFORMATION CENTER.

-----SITKA LIO, 4-19-84 37352-----



Sen. Eliason  
GREATER SITKA

# Chamber of Commerce, Inc.

April 20, 1984

To: All Members of the Senate Resources Committee

The Greater Sitka Chamber of Commerce strongly opposes SJR 44 - Requesting the Establishment of an ANILCA Information and Education Center in Ketchikan. We feel this is not a legislative function.

Sincerely,

Dave Knapp,  
President

DK:kf

cc: Assembly -  
City and Borough of Sitka

MSG 84-00037550 PRTY 1 04/20/84 11:09:55 ORIG: LS00 IN= 0008 OUT= 0054  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POM

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TO: SENATOR FAHRENKAMP, ZIEGLER, ELIASON, P. FISCHER, V. FISCHER, MULCAHY,  
AND STURGULEWSKI

FROM: DICK WILSON  
STAR ROUTE 3509 HPR  
SITKA, ALASKA 99835  
(H)747-3096

REJECT SENATE JOINT RESOLUTION 44 WHICH BACKS KETCHIKAN OVER SITKA IN THE  
INTER-COMMUNITY COMPETITION FOR THE ANILCA INFORMATION AND EDUCATION CENTER.  
LET THE ALASKA LAND USE COUNCIL, AND THEIR CRITERIA OF SERVICE TO THE VISITOR  
AND ALASKA, DETERMINE THE WINNER. REJECT KETCHIKAN'S BLATANT ATTEMPT TO  
SHORT CIRCUIT THE COMPETITION.

\*\*\*SITKA LIO, 4/20, 37550\*\*\*\*\*

HSG 84-00037537 PRTY : 04/20/84 11:09:37 ORIG: L300 IN= 0007 OUT= 0050  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POM

TO: SENATORS KERTTULA AND ELIASON AND REPRESENTATIVES GOLL AND CATO  
FROM: RICHARD LELAND  
CITY MANAGER  
CITY OF CORDOVA  
BOX 1210  
CORDOVA, AK 99574

THE ALASKAN FERRY BARTLETT WAS SCHEDULED TO BE IN DRY DOCK IN KETCHIKAN FOR TEN DAYS. WE UNDERSTAND THAT THE DRY DOCK WAS CANCELLED, AND THE BARTLETT WILL LAY OVER IN KETCHIKAN FOR TEN DAYS. WE REQUEST THAT THE BARTLETT RETURN TO HER HOME PORT OF CORDOVA AS SOON AS POSSIBLE.

\*\*\*SITKA LIO, 4/20, 37537\*\*\*\*\*

MSG 84-00037577 PRTY 1 04/20/84 11:44:35 ORIG: LS00 IN= 0010 OUT= 0060  
FROM: SITKA TO: JUNEAU  
TARGET: LJHK SUBJ: POM

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TO: SENATOR ELIASON'

FROM: LAURIE PETERSON  
PIONEER HOME  
2301 STAR RT, HPR  
SITKA, AK. 99835 747-3756 (H) OR 747-3213 (W)

PLEASE TAKE ACTION AND SUPPORT APPROVAL OF SUPPLEMENTAL FUNDING TO  
CURRENT FISCAL BUDGET FOR THE ALASKA PIONEER HOMES. THANK YOU.

-----SITKA LIO, 5-20-84, 37577-----

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HB

4

#1

POSITION PAPER  
House Bill No. 4 am  
March 1, 1983

House Bill 4 - "An Act relating to insurance requirements in State construction projects (AS 36.90).

This act relates to what has commonly been called "wrap-up" insurance programs. This is where the owner of the project provides for the insurance rather than each separate contractor and subcontractor on a project. This approach has been used on large construction projects.

The act, as it is presently written, simply prohibits entirely the use of such wrap-up insurance on State construction contracts. Such prohibition would apply to any and all construction contracts of any State executive, legislative, or judicial branch agency, as well as the Alaska Power Authority, the University of Alaska, and the Alaska State Housing Authority. In short, this bill simply bans the process.

Insurance costs of all types can approach eight percent of a construction project's total cost. The range of cost impact can vary greatly from project to project. By the use of wrap-up insurance on large construction projects, savings in the range of one to two percent of project costs have been reported.

There are both expressed advantages and disadvantages of wrap-up programs.

Advantages:

1. Reduced costs to the owner of the project. Mass buying gives the owner leverage with insurance companies/insurance groups. Dividends and refunds return to the owner.
2. Concurrent and uniform coverage for the owner, contractor and all subcontractors. Reduced administrative requirements and costs.
3. Coordinated claims control, investigation and settlement. Eliminates coverage disputes which reduces litigation between parties. Coordinated safety programs.
4. Greater potential to help promote the use of minority contractors because wrap-up makes insurance available to those who might no otherwise be able to get it.

Disadvantages:

1. Contractors prefer to deal with their insurance agent.
2. Contractors contend that they will lose the benefit of good work experience records.
3. Laborers contend that there is a lesser interest in safety and that wrap-up tends to make the contractor "not care" about safety.
4. Insurance brokers object because they are deprived of a specific client when that client is involved in a wrap-up.

None of the disadvantages or advantages are to be taken lightly and should be reviewed.

While the proposed act would ban the use of wrap-up insurance entirely, the department proposes that a better course is to preserve the State's option to utilize wrap-up where there is a documented case for doing so. To prohibit the use of such a practice, with the potential cost benefits, would not be in the best interests of the State. Planning of major capital projects should consider all measures to reduce costs.

On a large project such as Susitna, for example, with a \$5 billion price tag the potential savings are large. Further, with falling revenue, need to ration available dollars, and to get the project done, all potential cost savings should at least be considered.

However, the department recognizes a duty to assure that procedures are used so that all parties are treated equitably.

Suggested revisions to the legislation, and the "Letter of Intent", should:

1. Require specific written findings, before contract/project initiation, that demonstrate that the use of wrap-up on a particular project is cost-effective.

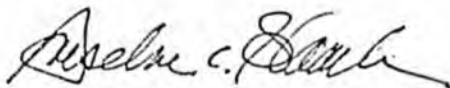
This finding should be approved by an agency board where it is involved, ie. Alaska Power Authority, and be approved by the Director of the Office of Management and Budget or some other Commissioner as chosen by the Governor on a case-by-case basis.

2. Wrap-up insurance should be considered on projects of \$100 million or greater size. At this point the materiality of potential savings is important.
3. The determination to use wrap-up insurance should be on a case-by-case basis.
4. The State's self-insurance program should not be used to avoid risk.

We will be conducting a comprehensive study on wrap-up in the next year to develop both better information and specific procedures to assure that any subsequent use, if it arises, follows good procedure.

The rationale of this position is that as a matter of policy the State should preserve its options where significant cost factors are involved prior to the bidding/bargaining-process. The State has an interest in this subject and the proper resolution of wrap-up insurance. In the Susitna project, for example, it involves \$5 billion of the public's money, debt guarantees, etc. Saving even \$50-100 million on such a project is someone else's road, bridge, school, dock, etc.

The department recognizes that past problems on some projects have resulted in a negative perception of wrap-up. However, the potential savings are significant and should be considered. The objective is to use wrap-up insurance only where necessity warrants, but having no tool at all simply assures that the issue is not further addressed.



\_\_\_\_\_  
Anselm Staack, Deputy Commissioner



\_\_\_\_\_  
Lisa Rudd, Commissioner

Letter of Intent, House Bill 4 am

Planning of major capital additions or improvements should, in the public interest, consider all measures to reduce costs. Application of overall insurance coverage procedures during project construction can produce benefits to both the entity, the contractor, and the public.

House Bill 4 am, as amended, would provide a means to assure that major capital projects are constructed in a cost efficient manner, but without the state intruding into the prerogatives of private businesses.

Owner provided insurance would only be considered after specific written findings demonstrate this alternative to be the most cost effective; and should only be considered on projects of \$1.00 million or greater. Any finding relating to the cost-effectiveness of owner provided insurance must be approved by the executive head or board of the contracting agency and, in addition, by the director of the Office of Management and Budget.

It is the purpose and intent that owner purchased insurance not interfere where private contractors clearly show that they already are providing the lowest cost for insurance.

82D1/0209-1

2/22/83

I. REQUEST

Bill/Resolution No. H.B. 4

Title An act relating to insurance requirements in State construction projects.

Requested by Labor & Commerce

Date 2/9/83

II. FISCAL DETAIL

Department of Commerce, Alaska Power Authority

Agency Affected Department of Administration, Division of Risk Management

Program Category Affected Alaska Power Authority, Division of Risk Management

BRU, Program, Or Subprogram(s) Affected \_\_\_\_\_

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

See analysis below.

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)  
 Passage of H.B. 4 would limit the Alaska Power Authority's (APA) option to control the insurance on Susitna and other major hydro projects. The APA should be in a position to decide on a project-by-project basis whether the general contractor or the APA will provide insurance depending on a variety of factors including cost. This legislation would limit contractual bidding options of the APA and DOT/PF for projects of \$50 million and greater where the insurance costs are often between 4 - 7% of total project cost. The APA presently is considering projects of 5 - 6 billion dollars. The impact of this legislation will not fall in one or two fiscal years, but will be spread over the next 10 - 15 years. Research reveals that average savings per project amounts to 2% of construction costs if the owner controls the insurance.

IV. DATE 2/9/83

PREPARED BY John Haywood  
 AGENCY Administration/Risk Management

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 PHONE 465-2180

1512

THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 4

Title An Act relating to insurance requirements in State construction projects

Requested by Representative Martin Date 1/17/83

II. FISCAL DETAIL

Agency Affected Division of Insurance

Program Category Affected Public Protection

BRU, Program, Or Subprogram(s) Affected Division of Insurance

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS	0					
OTHER (Specify Source)	0					

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE

1/24/83

PREPARED BY EWE Edward W. Eboch, Deputy Commissioner  
AGENCY Commerce & Economic Development

Original: Legislative Finance

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

February 7, 1983

POSITION PAPER

RE: HB 4

SPONSOR: Representative Martin

Program Effects on Bill

Further defines insurance requirements for State funded construction contracts.


Comments

Two years ago, the Legislature considered legislation which would establish a bond fund for local, private contractors, allowing them to compete for local bush jobs which were generated by State grants. Currently, performance bonds are required and most local contractors do not have the cash and/or liquid assets to secure them. For local projects that go out for bid, this automatically eliminates these local contractors from bidding on these projects. This fact is also reflected in the recent Rural Development Council publication, "Distribution of Economic Benefits of Rural Capital Construction Funding."

This bill, as drafted, would establish, as statute, State policy which would preclude consideration of a bond fund.

If economic development and job creation are to remain as driving forces within the current administration, legislation should be sought that would encourage - not discourage - local bush businesses, especially in what are shaping up as leaner and leaner coming capital construction years.

The proposed legislation would also discourage seeking acceptable alternatives to performance bonding which might be pursued in rural areas.



STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 4 Date on Bill: 1/17/83  
 Title: Insurance requirements/State construction projects  
 Sponsor: Martin  
 Requestor: House Community & Regional Affairs Committee

1. Estimated fiscal impacts on: Department of Community & Regional Affairs

a. Expenditures:

(Thousands of Dollars)

			FY 83	FY 84	FY 85	FY 86		
Capital								
Operating								
Total								

b. Revenues:

-0-                      -0-

Revenue								
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2. Source of funds to offset fiscal impact of bill:

This bill adds to the definition of insurance requirements for contractors on State funded construction projects. The proposed change is procedural only and would result in no fiscal impact upon this Department

3. Assumptions:

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Richard Rainery *RR*

Phone: 465-4703

Division: Commissioner's Office

Date: 2/10/83

Approved by Commissioner: *Martin*

Date: 2/18/83

Department: Community & Regional Affairs

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/8/83

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

\* Section 1. AS 36.90 is amended by adding a new section to read:

Sec. 36.90.005. INSURANCE REQUIREMENTS IN CONSTRUCTION CONTRACTS.

(a) Except as provided subsection b, in requesting bids and awarding construction contracts a state agency may not require a contractor to obtain workers' compensation, general liability, or other required insurance from a particular insurer, agent, or broker.

(b) A state agency may agree to provide insurance for a contractor who is awarded a state construction contract, only if:

(1) the executive head or board of the contracting agency determines, in writing, that the cost to the state will be less than that incurred if comparable insurance coverage was obtained by each independent contractor and subcontractor; and

(2) the Director of the Office of Management and Budget approves the finding described in Paragraph 2.

(c) A state agency may not use the State of Alaska's self insurance to provide insurance under this section.

(d) In this section, "state agency" means a department, institution, board, commission, division, authority, or other administrative unit of state government, including the University of Alaska. "State agency" does not include municipal corporations, political subdivisions, service districts, or school districts.

\* Section 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

Anselm Staack's  
Dept Admin,  
proposed  
amendment +  
letter of intent -

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

\*Section 1. AS 36.90 is amended by adding a new section to read:

Sec. 36.90.005. INSURANCE REQUIREMENTS IN CONSTRUCTION CONTRACTS.

(a) A state agency may agree to provide insurance to protect the owner and contractors who are awarded a construction contract, only if:

(1) an independent professional consulting firm as defined in Section (4) and selected as specified in AS 36.98 has provided the following:

(i) an unbiased professional evaluation of insurance options; and

(ii) insurance and safety specifications to be incorporated into the bid documents; and

(iii) specifications for brokerage and insurance services selection; and

(2) the Department Commissioner or Board of the Contracting Agency determines after evaluation of the consultants report that the cost to the state will be less and the benefits greater than if comparable insurance coverages were obtained by each contractor and subcontractor; and

(3) the Director of the Office of Management and Budget concurs with the decision described in section (2).

(4) the professional consulting firm specified in Section (1) must meet the following criteria:

(i) be a member in good standing of the Institute of Risk Management Consultants or a similar professional group; and

(ii) have had prior management experience with owner controlled insurance programs which experience shall be documented by the consultant providing a copy of a prior insurance alternatives analysis; and

(iii) neither the consulting firm nor any individual working for the firm are to have any vested interest in the particular outcome to ensure a fair appraisal of the alternatives.

(b) In this section, "state agency" means a department, institution, board, commission, division, authority, or other administrative unit of state government, including the University of Alaska. "State agency" does not include municipal corporations, political subdivisions, service districts, or school districts.

\*Section 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

Brought  
by lobbyist  
3/18/83

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

\* Section 1. AS 36.90 is amended by adding a new section to read:

Sec. 36.90.005. INSURANCE REQUIREMENTS IN CONSTRUCTION CONTRACTS. (a) Except as provided subsection b, in requesting bids and awarding construction contracts a state agency may not require a contractor to obtain workers' compensation, general liability, or other required insurance from a particular insurer, agent, or broker.

(b) A state agency may agree to provide insurance for a contractor who is awarded a state construction contract, only if:

(1) the executive head or board of the contracting agency determines, in writing, that the cost to the state will be less than that incurred if comparable insurance coverage was obtained by each independent contractor and subcontractor; and

(2) the governor or the governor's designee approves the finding described in Paragraph 1.

(c) A state agency may not use the State of Alaska's self-insurance to provide insurance under this section. Normal and reasonable deductible amounts on insurance policies, as the contracting agency determines to be appropriate, are not considered as self-insurance within the prohibition described in this subsection.

(d) In this section, "state agency" means a department, institution, board, commission, division, authority, or other administrative unit of state government, including the University of Alaska.

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

TO SENATE 1/8/83/COMM. 3-7-83

Proposed, never took action



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

Regarding June 15, 1982 prior legislation

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

that had similar  
lang as HB 4

Dear Mr. President:

Under art. II, sec. 15, of the Alaska Constitution, I have vetoed Conference Committee Substitute for Senate Bill 831, relating to insurance; and providing for an effective date. While there is some merit to the "housekeeping" portions of the bill, sec. 3, which would prohibit the State from using so-called "wrap-up" insurance programs, could cost the state large sums of money and, at the same time, serve no public purpose.

The Alaska Power Authority and the Division of Risk Management predict that the Alaska Power Construction Program, APCOP, can realize substantial savings in the costs of constructing APA power projects. As the Tyee project is the first one constructed under this program, more will be known on actual cost savings and safety implications when that project is completed. The Power Authority, nevertheless, is planning to secure the services of an independent insurance consulting firm to evaluate wrap-up programs, and to make recommendations as to whether the Authority should continue to use the APCOP approach.

Section 3 of the bill prohibits the state from requiring a contractor to obtain insurance from a particular insurer, agent or broker or to agree to provide insurance to a contractor who is awarded a state construction contract. I do not find this prohibition in the best interest of the state. If, after receiving the independent evaluation of wrap-up programs it appears wise to submit corrective legislation, I will do so.

Sincerely,

Jay S. Hammond  
Governor

12:05 P.M.  
4-5-82  
JAY S. HAMMOND, GOVERNOR

**DEPT. OF ENVIRONMENTAL CONSERVATION**

(906) 465-2600

POUCH 0 - JUNEAU 99811

April 5, 1982

last year

The Honorable Terry Martin  
Chairman, Labor & Commerce Committee  
State House of Representatives  
Pouch V  
Juneau, AK 99811

Dear Representative Martin:

I was quite surprised at the hasty action taken by the House Labor and Commerce Committee in passing out CSSB 831(L&C) on Friday afternoon. As you know, there were a number of persons, including some from the private insurance industry, who wished to provide testimony, but were unable to do so. In essence, the only testimony received was from the Associated General Contractors, and a few State agencies.

The subject of insurance coverage on large construction projects, such as those undertaken by the Alaska Power Authority, deserves extremely careful scrutiny. It is quite possible that the use of so-called "wrap-up" insurance programs, which would be prohibited by CSSB 831(L&C), could save the State many hundreds of millions of dollars over the next two decades. As you know, the Alaska Power Authority has on the books over \$15 billion (nominal) in projects, including the proposed two dams of the Susitna River project. This latter project alone is estimated to cost at least \$13.6 billion (nominal). In projects of this size, consolidating project coverage into a single "wrap-up" program could potentially return to the State several percentage points of the total project costs. If we are forced to use conventional means, such as required by your bill, this cost-saving approach will be prohibited.

Projects on APA's drawing boards represent the largest, single capital investment the State of Alaska will probably ever make. Regardless of the source of funds for these projects, be it the State treasury or the bond market, it is absolutely essential that the APA Board of Directors and its staff examine rigorously every possible means of economizing. The amounts of funds involved is so enormous that each minute fraction of total project costs that can be saved represents millions, and perhaps hundreds of millions of dollars.

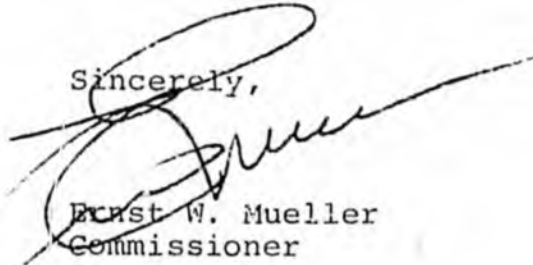
The Honorable Terry Martin

2

April 5, 1982

If the Board continues to be hamstrung in its attempts to seek innovative cost-saving approaches in this program, I fear that projects costs could well escalate in a manner similar to that experienced by the Washington Public Power Supply System. A review of that program indicates that its astronomical cost overruns are due, in large part, on poor construction management by the board and its staff, and misrepresentation and errors by its contractors, compounded by a lack of diligence in seeking cost efficiencies. It's bad enough to be less than diligent in programs of this magnitude, but to be prevented by law from being so is doubly dangerous.

Sincerely,



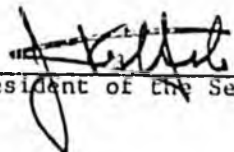
Ernst W. Mueller  
Commissioner

cc: Sue Greene  
John Haywood  
Eric Yould

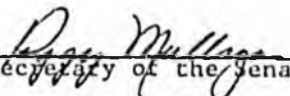
## Authentication

The following officers of the Legislature certify that the attached enrolled bill, CONFERENCE CS FOR SENATE BILL NO. 831, consisting of 2 pages, was passed in conformity with the requirements of the constitution and laws of the State of Alaska and the Uniform Rules of the Legislature.

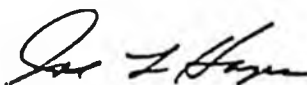
Passed by the Senate May 20, 1982

  
\_\_\_\_\_  
President of the Senate

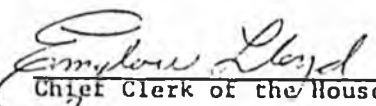
ATTEST:

  
\_\_\_\_\_  
Secretary of the Senate

Passed by the House May 19, 1982

  
\_\_\_\_\_  
Speaker of the House

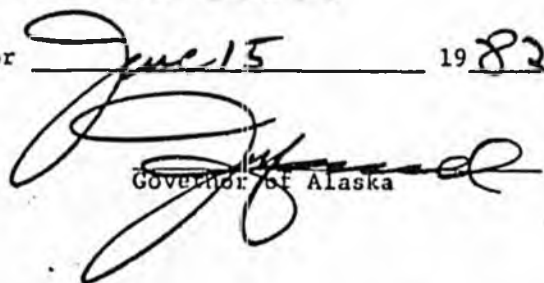
ATTEST:

  
\_\_\_\_\_  
Chief Clerk of the House

ACTION BY GOVERNOR

*Vetoed*

~~Approved~~ by the Governor

  
\_\_\_\_\_  
Governor of Alaska

19 82

1 (2) agree to provide insurance to a contractor who is awarded  
2 a state construction contract.

3 (b) As used in this section "instrumentality of the state" means  
4 a state department or agency in the legislative, judicial, or executive  
5 branch, and includes such agencies as the Alaska Power Authority, the  
6 University of Alaska, and the Alaska State Housing Authority.

7 \* Sec. 4. AS 21.09.220, 21.09.230, and 21.09.240 are repealed.

8 \* Sec. 5. Section 5 of this Act takes effect immediately in accordance  
9 with AS 01.10.070(c).

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AN ACT

Relating to Insurance; and providing for an effective date.

\* Section 1. AS 21.09.260 is amended to read:

Sec. 21.09.260. VIOLATIONS - PENALTIES. An insurer violating the provisions of AS 21.09.250 [AS 21.09.220 - 21.09.250] is guilty of a misdemeanor and upon conviction is punishable by a fine of not more than \$500 for each violation. In the event of conviction the insurance director may suspend or revoke the license of the insurer, but violation shall not invalidate the insurance contract.

\* Sec. 2. AS 21.54 is amended by adding a new section to read:

Sec. 21.54.055. DISCLOSURE OF EMPLOYEE CLAIMS PROHIBITED. An insurer providing employee group or blanket disability insurance to an employer or to trustees of a fund established by an employer may not disclose diagnostic information concerning an employee that relates to the employee's claim unless the employee authorizes the disclosure in writing;

\* Sec. 3. AS 36 is amended by adding a new chapter to read:

CHAPTER 94. MISCELLANEOUS PROVISIONS.

Sec. 36.94.010. INSURANCE REQUIREMENTS IN CONSTRUCTION CONTRACTS.  
(a) In requesting bids and awarding state construction contracts an instrumentality of the state may not

(1) require a contractor to obtain workers' compensation, general liability, or other required insurance from a particular insurer, agent, or broker;



# LAWS OF ALASKA

1982

Source

Chapter No.

CCSSB 831

## AN ACT

Relating to insurance; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

HB 4 TITLE & SPONSOR SUMMARY

14:40 5/22/84 PAGE 1 OF 3

AMENDED TITLE:

AN ACT RELATING TO INSURANCE REQUIREMENTS IN STATE CONSTRUCTION PROJECTS, AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: MARTIN.

CO-SPONSORS: FURNACE, GRUSSENDORF.

CURRENT STATUS: 2/07/83 IN (S) LABOR & COM REFERRAL: FINANCE

HB 4 HOUSE ACTION

14:40 5/22/84 PAGE 2 OF 3

DATE SEQ PAGE

LEGISLATIVE ACTION

01/17/83	01	0018	FIRST READING -- COMMITTEE REPORTS
01/26/83	02	0108	L&C -- DP06
01/26/83	03	0108	F/NOTE EQUALS ZERO
02/04/83	04	0175	SECOND READING
02/04/83	05	0175	ADVANCED TO 3RD READING BY UNAN CONSENT
02/04/83	06	0175	THIRD READING
02/04/83	07	0175	PASSED BY DIV 33-00-02
02/04/83	08	0176	EFFECTIVE DATE VOTE SAME AS PASSAGE
XXXX	XX	XX	XXX XXX XXX

HB 4 SENATE ACTION

14:40 5/22/84 PAGE 3 OF 3

DATE SEQ PAGE

LEGISLATIVE ACTION

02/07/83	09	0139	FIRST READING -- COMMITTEE REPORTS
			LABOR & COMMERCE
			FINANCE
			RULES
XXXX	XX	XX	XXX XXX XXX

Check SB168



Name (please print)	Address	Representing	Testify?? (YES or NO)	Phone Number
<del>Rep Terry Masten</del>		Sponsor HB 4	Yes	
Dave Hutchins	237 E. Firwood, Anch	ARECA	Yes	586-2660
George Erickson	111 Stedman St Ktn, AK	Alaska Loggers Assn	Yes	225-26114
Rosa King	134 Franklin	A.C.C.	Yes	586-1740
Don Renden <sup>Lauren</sup>	369 S. Tuttle	Dist Council of Helena	Yes	586-3107
Allen Shattuck	301 Seward St.	Shattuck & Grummett	Yes	586-2444
ANSELM C. STAACK	Pouch C	DEPT. OF ADMINISTRATION	YES	465-2200
Steve Silver	P.O. Box 1211	AIA	NO	584-3340
Jeff Barry	House Labor & Comm	Rep Masten	Yes	465-3892

A M E N D M E N T

Offered in the SENATE

By Eliason

To: SB 168

Page 4, after line 10: insert a new section to read:

"\* Sec. 7. AS 44.83 is amended by adding a new section to read:

Sec. 44.83.192. INSURANCE REQUIREMENTS IN CONSTRUCTION CONTRACTS. In requesting bids and awarding construction contracts under this chapter the authority may not require a contractor to obtain workers' compensation, general liability, or other required insurance from a particular insurer, agent, or broker and may not agree to provide insurance to a contractor who is awarded a construction contract."

Renumber succeeding sections accordingly.

# ALASKA POWER AUTHORITY

334 WEST 5th AVENUE - ANCHORAGE, ALASKA 99501

Phone: (907) 277-7641  
(907) 276-0001

TELECOPIED 4/20/83

April 20, 1983

Senator Richard Eliason  
Alaska State Legislature  
Pouch V (Mail Stop 3100)  
Juneau, Alaska 99811

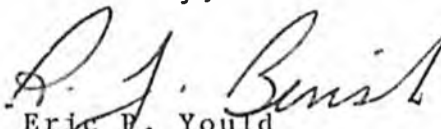
Dear Senator Eliason:

Per your request of April 20, 1983, the following brief comments regarding HB 4 are stated below:

1. The Power Authority is neutral with regard to HB 4.

2. In the event that a major Power Authority project such as Susitna becomes ready to construct, the Power Authority would conduct an in-depth cost/benefit analysis of the wrap-up option and present such findings to the Administration and the Legislature for their consideration.

Sincerely,

  
Eric P. Yould  
Executive Director (for)

EPY:kjs

cc: APA Board of Directors

May 4, 1982

Juneau Republican Club Luncheon

Speech by Representative Terry Martin

2ND ANNUAL "WHO'S KIDDING WHOM" AWARD

Good afternoon and welcome to the second annual "Who's kidding whom?" award banquet. Last year when I was privileged to speak before you, I, in jest, suggested a certain unit of the University of Alaska should receive a special award for their imagination and innovation by increasing their "student head count" so as to justify larger requested appropriations. After studying the situation in more detail it became obvious that they truly deserved special recognition. Consequently, two months later the Tanana Valley Community College became the first recipient of the "Who's Kidding Whom?" award.

This year there are many deserving State Entities. It is really hard to single one out for the reward that so many rightly deserve. During the current session, friends and acquaintances have suggested various government agencies, special interest groups and even private entities that, surely, should, at least, be nominated for this coveted award. Before announcing the finalists, it is my pleasure to make a special "Charley Brown Wisy-Washy Commerotive" to the Silver Anniversary Commission for their definite action, rescind action, action, rescind action, Who's on first?, handling of the Alaska 1984 Contract controversy.

The nominees for the coveted and cherished "Who's Kidding Whom?" award are: (1) The Department of Transportation and Public Facilities for its great sensitivity, common sense, and concern for the morale and well being of their loyal employees by dumping 51 of them as a publicity stunt during the budget process. (2) The House Minority ranks high for their consistent and perpetual inconsistency. Even though they work diligently to stall and delay every piece of legislation, they condemn the Majority for both not doing anything and for actually doing something over their parliamentary tricks.

(3) Another group that received a nomination are those individuals who most often seem to misuse the good intention of our workers compensation program. This group is recognizable as being male, age 21-26, less than 4 months on the job and 44% of whom claim lower back pain. (4) Alaska 84 birthday party planners rate high for this award. Need I say more? And number (5). How about LaTouche Island for its progress in meeting the basic needs of its residents?

This year's winner is--- A surprise entry from the private sector--THE RED CABBAGE BUNCH and their front organizations, the Alaska Power Authority and the Division of Risk Management, Department of Administration, State of Alaska. Every agency, entity or organization should take note of them. The Seattle based Red Cabbage Bunch and their affiliated Alaskan group, The Corsair Connection, have secured the absolute greatest, most magnificent, stupendous sole source, sweetheart contract of all time. A conservative estimate of the worth of this little, sole source gem is \$700,000,000. Peanuts, you say. I don't, but the Red Cabbage Bunch does, because their plans for expanding this small contract make the \$700,000,000 insignificant when compared to what they have planned for additions, modifications and extensions to their little sweetheart.

Where, I'm sure you're wondering, could anyone find \$700,000,000 or so just lying around begging to be wrapped up into a nice little sole source contract? THAT'S IT! With the true inspiration and foresight reminiscent of the great robber barons of yesteryear they created a quasi-"wrap up" insurance program for all construction administered by the Alaska Power Authority. Do you have any idea how much the insurance premiums for the Contractors building the 8 billion or so dollars of hydro-electric projects comes to? I don't know for sure, but it is a megabuck or two. Wouldn't you love to have a monopoly which would guarantee you every cent of those premiums? I would, but, alas, we're too late. The Red Cabbage Bunch gobbled it all up.

So what if construction Contractors don't like it. Does it really matter that no public interest is being served by this alleged "wrap

up"? Who cares if the cost of the electricity goes up substantially? How about the insurance companies who would have provided real insurance at a much lower cost? Crybabies, that's all they are. If they had any imagination at all they would have joined the bunch, at the State of Alaska's expense, to plan all of this at the Red Cabbage Restuarant, Marion at Western, in downtown Seattle. Incredible?

You disbelieve? Let me quote from an internal document of the group, dated December 14, 1981, so you can understand a little of what is going on. I would appreciate if all of the previous nominees would take careful notes if they wish to mount a serious challenge in the future. QUOTE "Last month our brokerage appointment for the State of Alaska was extended...to the Alaska Power Authority. This newly formed division of the state is responsible for \$8,000,000,000 of hydro-electric construction during the next ten years." "We...have been notified that the existing arrangement will continue for some time, as the state perceives this arrangement as politically advantageous as well as workable professionally." Now it starts getting interesting. "We have already secured one contract to review documents, and are faced with the possiblity of billing another \$100,000 on a fee basis for a preliminary consultation on this program."

Anybody want to bet who they recommended and what they recommended for a program? QUOTE "...the State of Alaska is particularly sensitive to the issue of using "outside firms." "...we are still viewed, or should I perhaps say suspected, as being "outsiders." In arranging this construction program the legislature has specifically instructed the Alaska Power Authority that preference be given to Alaskan firms. We have therefore been instructed to utilize Alaskan insurance companies with whom we have negotiated a fronting arrangement which we back by reinsurance." For those of you unfamiliar with this type of arrangement, it merely means, what you give with the right hand, you quickly take back with the left. To further quote; "We have also been asked to develop a presence in Alaska under the trade style of APCOP, an acronym for the Alaska Power Construction Project. THE INTENT OF THIS TRADE NAME AND ALASKA PRESENCE IS TO ALLCW THE ALASKA POWER AUTHORITY TO

PROMOTE THE PROGRAM AS AN ALASKA VENTURE." Doesn't it warm the cockles of your heart to know the Alaska Power Authority goes to such great lengths and such pains to deceive you while they disregard the law?

Actually, as the truth unfolds and is beginning to be known, the Alaska Power Authority is nothing more than a dupe of the Risk Management Division of the Department of Administration. Risk Management has arranged for this wonderful scam to be foisted on the unsuspecting public. Of course, the public would not be deceived by such an obvious ruse and the sheer magnitude of the scheme would, obviously, bring those stalwart guardians of the public, our Alaska press corps, to expose this wonderful "wrap up" to the full light of day. They would never be taken in by such a clumsy scheme and obvious "trade style."

Unfortunately, they have. Allow me to digress a moment for a special presentation to the Alaska press corps and all of its investigative reporters. For excellence, perseverance and in-depth investigative reporting, the Alaska press corps is hereby awarded the first annual "We've Been Had" award. To demonstrate how much they truly deserve this award, let me quote a few Headlines and articles. QUOTE, from The Frontiersman, Wasilla, November 19, 1981; "ALASKA FIRMS TO HANDLE HYDRO PROJECT INSURANCE, RISK SERVICES". The Alaska Business Newsletter of November 20, 1981; "ALASKAN COMPANIES WILL PROVIDE HYDRO PROJECT'S INSURANCE." Alaska from the Inside, November 18, 1981; "NEW INSURANCE PROGRAM TO PROVIDE IN-STATE SERVICES TO HYDRO PROJECTS." Not only does the list go on and on, the articles themselves would appear to have been written by the Public Relations firm hired by "the Alaska Power Authority to promote the program as an Alaska venture."

In conclusion, to say that this group broke a few laws, circumvented numerous rules and/or regulations, completely ignored competitive bidding procedures would be an understatement. It is also accurate to include the fact that they made a mockery out of Alaska hire and preference laws, destroyed the ability of Alaskan Contractors to use their good experience ratings in bidding on these projects, almost

guaranteed that all of the contracts would be given to outside companies, which, unfortunately, means that very few Alaskans would ever be allowed to work on one of the projects. All I can say is that the Executive Director of Risk Management and the Red Cabbage Bunch of Seattle, Washington have really gone to extremes to win the 2nd annual "who's Kidding Whom" award.

HB4-1983

TESTIMONY BY DICK PITTENGER  
HOUSE LABOR & COMMERCE COMMITTEE

March 31, 1982

Mr. Chairman, Committee Members, my name is Dick Pittenger and I am representing the Alaska Chapter, Associated General Contractors of America. Our Chapter consists of approximately 675 construction related firms engaged in Alaska construction. On behalf of this membership, I have been instructed to inform you that the Chapter strongly opposes the APA "wrap-up" insurance program known as APCOP.

Nationally, the A.G.C. has been opposed to wrap-up insurance programs for many years. To give you an idea of the strength of A.G.C.'s traditional opposition, I have for you a copy of the resolution passed at the national A.G.C. convention held in March of 1964. This stand was again expressed at the March 1982 convention in Houston.

At this time I would like to direct my comments to the APA's "wrap-up" insurance program. My comments will consist of some questions and some statements of items of concern.

1. What is the statute or regulation that permits the APA to enter private industry and write a wrap-up insurance program?

2. When and why did the APA decide to institute this program? I consider the timing important because to my knowledge all bids on the Tyee project did, in fact, include insurance. Was it caused by a contractor problem in procuring insurance?
3. Why did the APA not notify the public of their intent, in particular the A.G.C., prior to imposing the program on the Tyee project?
4. Statements have been made that the principal reason for this program was to save money for the Alaska rate payer. While I question this as a statement of fact, I must ask why is it now stated the wrap-up insurance program will only apply to projects of over \$50 million?
5. One of the contractor's competitive tools is removed under these conditions. If the project is bid net of insurance, then the contractor's safety program and its affect on the cost of insurance cannot come into play. As a result a good contractor with an experience factor of less than .50 is treated the same as a contractor who has an experience modifier well in excess of 100 percent of book cost for the workers comp. insurance. Additionally, this latter contractor probably is also paying a higher rate for the remainder of his insurance due to poor safety practices. It would appear that in the majority of cases the company with the better safety record

would, in fact, submit a lower bid due to his significant cost savings on insurance; thus providing a savings to the owner. This APCOP penalizes the safety conscious contractor.

6. I am concerned for the safety of the work force on projects working under wrap-up programs for the following reasons:

- a. My understanding is that the APA will assume the experience factor of the contractor. This would mean that the contractor would not be held to account for any accidents occurring on the job by his own insurance company.
- b. The APA would improve their own safety program and safety technicians on the job site, thus eliminating the company's prerogative to use his people and proven program.
- c. I question the ability of the APA to insure proper procedures for the protection of people and equipment. This, then, makes me question the amount of the resulting savings.

At this point I will only summarize some of the other disadvantages of this type program.

## Disadvantages

1. Owner control programs are disliked by most contractors since the contractors feel they are being coerced into the program. In addition, they may lose some purchasing power in their own continuing insurance program. Many feel that expensive administration and accounting practices are placed upon them. As a result, the contractor may not give the owner 100% of the insurance reduction.
  
2. While proponents of the owner control program might state that simpler administration is an advantage, the administration of many programs indicate administration is a disadvantage. While many plans are well conceived, the projects can last for many years. Due to turnover of employees of the owner, insurance agent and company, continuity of administration can easily be broken.
  
3. Usually, the insurance carrier will not be obligated to continue coverage beyond a reasonable notice of cancellation. As a result, the owner may have trouble replacing coverage, perhaps even renewing coverage, if such coverage is cancelled or expires prior to the end of the project. Since the owner assumes the obligation of furnishing coverage, he also assumes an open ended cost. As a result, he may have to bear unexpected rate increases either due to market conditions or increases in benefits.

4. The insurance company and insurance agent are representing many insureds whose interests may be diverse. As a result, a conflict of interest may arise during their efforts to serve all parties.
5. Claims control can become a substantial problem. If an adequate agreement is not established between the servicing insurance company and the owner, claims servicing can deteriorate which can cause a substantial increase in expected claims cost thereby increasing cost of the overall program.
6. Substantial accounting problems for the development and prorating of insurance cost can arise. This includes developing exposures for the year-end premium audits.
7. The bidding of the project can become very complicated since the contractors must submit one bid with insurance and another without. In addition, some very good and competitive contractors may decline to bid at all if an owner control program is to be utilized.
8. Any new insurance approach involves some legal uncertainty which must be evaluated carefully. Many states have declined to approve "wrap up" programs. While they have tolerated owner control programs, most keep an eagle eye on these

programs to be sure that all technicalities of their jurisdictions are met. In addition, substantial liability could be created by the owner failing to provide proper or required insurance for his contractors.

One false step in the administration of the program could cause substantial legal difficulties either with a state board of insurance or a contractor.

9. It is usually advisable that the auto liability and general liability be written with one carrier since there are many gray areas between the two. However, under most owner control programs, the auto liability is normally written by the contractor's standard insurance carrier. As a result, substantial coverage questions can arise which can result in lengthy and expensive debates between the insurance carriers involved.
10. Since most programs are tied to losses, it may be five or six years after the termination of the project before the cost of the insurance program is determined.
11. Since there may be an interchange of contractor employees from one job site to the owner control job site, some questions may arise as to what insurance policy covers the employees.

12. The owner will become involved in many of the insurance disputes that normally take place between the general contractor and their subcontractors.
  
13. While the humanitarian benefits of a competent safety program are desirable, most contractors are motivated by the cost reductions which arise out of reduced claims. Contractors must weigh the cost of a safety program against the benefits derived. The indirect cost of a good safety program include higher wages, higher equipment costs, and oftentimes, lost production. If the contractor is not responsible for the ultimate insurance cost, he may cut certain corners which will reduce operating cost but increase claims cost substantially.
  
14. Usually, the general contractor is charged with the safety program of the job. However, with the assumption of the owner control program, the owner may become responsible for all or a portion of the safety program. With recent federal legislation and court cases, this opens up a new vista of liability to the owner.
  
15. Another era of substantial uncertainty is at what point should the owner control program be terminated. Many projects are now being completed without "tenant improvements." These improvements are let either by change order or separate

contracts. This construction work can continue indefinitely after the completion of the project. A substantial problem can arise when an effort is made to determine what premium cost should be added to the contract to represent the contractor's insurance cost to be provided under his normal program.

The best incentive for risk control lies with lower insurance costs. That is why self-insurance programs and group insurance programs work so well. Hard work is rewarded.

While APCOP is designed for lower insurance costs, it will result in just the opposite. We do not want the State government through APCOP to interfere with the contractor and his relationship with his insurance company.

The A.G.C. has traditionally objected to government intervention into the private sector, whether it be construction or insurance. We will continue to oppose APCOP and similar programs. Simply put, Government has no business in business. We request the immediate elimination of APCOP.

Thank you.

RESOLUTION

PRESERVATION OF THE CONTRACTOR'S RIGHT  
TO SELECT HIS OWN INSURER

WHEREAS, the historical relationship between the contractor, his surety, and his insurer is one based on mutual trust and confidence, built up over years of experience and association, the Associated General Contractors opposes any bidding or contractual procedure that would interfere with this relationship, and

WHEREAS, the Federal government, its departments and agencies, and other awarding authorities, both public and private, have recognized the equity of this traditional system of the contractor selecting the insurer, agent or broker to provide surety bonds and to insure the contractor's obligations under any applicable Workmen's Compensation Law and such other insurable interests as are the contractor's responsibility under the construction contract, and

WHEREAS, political subdivisions of some states are interfering with the contractor's selection of insurance company, agent or broker and arbitrarily requiring the contractor to accept the owner's designation of the insurer, agent or broker of the contractor's Workmen's Compensation Insurance and Primary Comprehensive Liability Insurance, and

WHEREAS, the public interest is best served by the award to the lowest responsible bidder, which system traditionally provides centralized management at the lowest composite cost, and

WHEREAS, any attempt by the owner to interfere with the contractor's relationship with his insurer adds administrative expense and other cost adjustments that must be included in the bid price, and

WHEREAS, controlled insurance plans seriously disrupt normal job management procedures, especially by breaking the continuity of the contractor's safety program with the resulting greater risk of loss of life and injury to his workmen, and consequently reducing job efficiency and increasing costs, to the detriment of the workmen, the owner, and the public.

NOW, THEREFORE, BE IT RESOLVED that the Associated General Contractors, assembled in its 45th Annual Convention on March 1-5, 1964, condemns and vigorously opposes any attempt to interfere with the contractor's traditional right to select his insurer, agent or broker as a practice more costly to the owner, most damaging to the welfare of the construction industry and its workmen, and contrary to the public interest.



## Alaska Timber Insurance Exchange

111 Stedman St., Suite 201  
Ketchikan, Alaska 99901  
(907) 225-9451

February 17, 1983

Honorable Richard Eliason  
Alaska State Senator  
Pouch V State Capitol Building  
Juneau, Alaska 99811

Dear Senator Eliason:

Thanks for the call giving us the opportunity to appear before your committee to express our opinions on HB 4. At this time, we plan to send George Erickson, Alaska Timber Insurance Exchange Claims Manager, to be our spokesman. This letter is mailed in case of bad weather or other possible change in plans prohibits his attending the meeting on February 22.

Sincerely,

Donald A. Bell  
President

ALASKA TIMBER MANAGEMENT CORPORATION

DAB/mjh  
cc: George Erickson



## Alaska Timber Insurance Exchange

111 Stedman St., Suite 201  
Ketchikan, Alaska 99901  
(907) 225-9451

February 16, 1983

Honorable Richard Eliason  
Alaska State Senator  
Pouch V State Capitol Building  
Juneau, Alaska 99811

Dear Senator Eliason:

Thank you for inviting representatives of Alaska Loggers Association and Alaska Timber Insurance Exchange to express their opinions on House Bill #4 or similar legislation.

Background information on this subject, as we understand it, is the Alaska Power Authority, Division of Risk Management, Carroon & Black/Dawson and Company, and Marsh McLennan put together this package program reportedly to save the State money on the hydro power projects. It is interesting to note that prior to this alliance the Seattle newspaper reported that Carroon & Black/Dawson & Company was being sued by Marsh & McLennan because they had hired several key employees from Marsh McLennan who in turn brought customer information with them. The suit was dropped about the time this deal was put together.

In 1980 the Alaska Loggers Association started a reciprocal insurance company, the Alaska Timber Insurance Exchange. This company is a workmen's comp carrier and insures only its members who are domiciled in Alaska. It is truly an Alaska owned and operated company.

In September 1981, the Tye Lake Hydro Project was awarded. The contractor named was Southeast Harrison Western of Ketchikan and Denver. This was a small drilling company, Southeast Drilling, owned by Warren Olson of Ketchikan, who had fronted for Harrison Western of Denver and thus obtained the prime contract. They continued their membership in ALA, joined our radio network, and were interested in our workmen's comp program until they realized they were required to participate in the Division of Risk Management Program.

## Alaska Timber Insurance Exchange

Honorable Richard Eliason  
February 16, 1983  
Page 2

Erickson Sky Crane, who did the helicopter logging on the Tyee job, joined Alaska Loggers Association in May 1982. They expressed an interest in the Alaska Timber Insurance Exchange until they were informed their bid included workmen's comp insurance and they were required to participate in the State program.

An operator in Petersburg, Spring Valley, obtained a small subcontract on the Tyee project. He needed employees for this short term job, 3 months, so he hired the complete crew of The Mill, a member of Alaska Loggers in Petersburg who participated in the ALA workmen's comp, pension, and group insurance programs. When The Mill people went on Spring Valley payroll they discontinued their workmen's comp premiums, this disqualified the eligible employees to participate in the ALA pension, and health and welfare programs.

Seley, Inc., has been a member of ALA since he went in business as Seley Float Construction in 1976. This year he obtained a subcontract to do some right-of-way logging on the Tyee Hydro job. At the time he signed the contract, he was unable to obtain any proof of insurance so he elected to retain his coverage through Alaska Timber Insurance Exchange. He paid his premium; we have paid the claims which were submitted, and of course plan to pay any others which may develop. He has now contacted the ATIE and wants a refund of his premium on a large payroll.

It would be interesting to know how this happened. How much Corroon & Black/Dawson & Company, Marsh McLennan and Company, and the other carriers involved in this program are making. It would also be interesting to know how the insurance carriers involved were selected.

We are informed by Donald P. Koch, Chief of Market Surveillance for the State of Alaska Department of Commerce & Economic Development, the current NCCI rate for Code 2702 (the logging rate) is \$39.22 per hundred dollars of payroll. It would seem the insurance carriers covering these hydro projects would be required to pay the rate established by the governing department. At the same time, Alaska Timber Insurance Exchange, because of its affiliation with Alaska Loggers Association on their 25 years

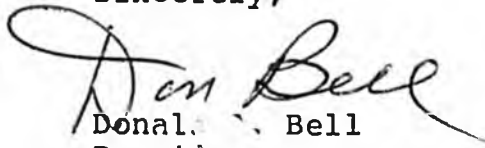
Alaska Timber Insurance Exchange

Honorable Richard Eliason  
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experience with workmen's comp insurance for loggers, had established a rate of \$20.30. We wonder what rate is actually being charged for coverage in this Alaska Power Authority and Division of Risk Program.

It is our opinion the State of Alaska should stay out of the private insurance business.

Sincerely,



Donald Bell  
President

ALASKA TIMBER MANAGEMENT CORPORATION

DAB/mjh  
cc: Senator Ziegler

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NANCY L. BURNS

February 23, 1983

Senator Richard Eliason  
Chairman  
Senate Labor and Commerce Committee  
Pouch V  
Juneau, Alaska 99811

Re: House Bill 4

Dear Senator Eliason:

As per the request of Senator Mulcahy following my testimony before the Senate Labor and Commerce Committee on February 22, attached is my testimony in written form.

In addition, testimony following mine questioned the legality of wrap-up insurance. The committee may be interested in knowing that the various parties involved in the Tyee Lake Project obtained briefs from numerous legal firms. Wrap-up insurance was also reviewed by the Attorney General's Office and further investigations were made by Legislative Budget and Audit, Department of Administration Internal Auditor, meetings were held with the Division of Insurance, there was a pre-hearing conference before the Workers' Compensation Board, and legislative subpoenas were issued during the 1982 legislative session. To the best of my knowledge, there were no legal actions brought nor were there any findings that the use of wrap-up insurance is illegal. Further, use of wrap-up insurance on large construction projects has been a common practice since the end of World War II throughout the United States (including the Alyeska Project) which would certainly indicate that in fact there are no legal problems.