

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

3763 HTRA FEDERAL HIGHWAY ADMIN. OVERVIEW - WORK SESSIONS

689



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

10/31/89
Date

FEDERAL
HIGHWAY
ADMINISTRATION
OVERVIEW

TRANSPORTATION COMMITTEE DAILY AGENDA

- 1) CALL MEETING TO ORDER
- 2) NOTE MONTH/DAY/YEAR WEDNESDAY, JANUARY 30, 1985
- 3) NOTE TIME: (7:00 A.M.)
- 4) NOTE MEMBERS PRESENT AND EXCUSED
--NOTE: FOR THE RECORD, ALSO NOTE ANY LATE ARRIVALS
TO THE MEETING.
- 5) RECOGNIZE VIP'S
- 6) REMIND PARTICIPANTS TO SIGN THE WITNESS REGISTER

TODAY'S PARTICIPANT:

BARRY MOREHEAD
FEDERAL HIGHWAY ADMINISTRATION

PROCESSION OF MEETING

- 7) INTRODUCE BARRY MOREHEAD OF THE FEDERAL HIGHWAY
ADMINISTRATION. HE SHALL PROVIDE AN OVERVIEW OF THE AGENCY.

NOTE TO COMMITTEE MEMBERS:

INSIDE THEIR FILE FOLDERS IS:

- ° NOTHING--MR. MOREHEAD SAID HE WOULD BRING
MATERIALS. THE FILE FOLDERS ARE FOR THOSE
MATERIALS.

- 8) ANNOUNCE TIME OF ADJOURNMENT
- 9) REMIND MEMBERS AND AUDIENCE TO CLEAR THE ROOM FOR THE NEXT
COMMITTEE MEETING OF HOUSE RESOURCES.



U.S. Department
of Transportation

**Federal Highway
Administration**

Alaska Division

FEB 4 1985
P.O. Box 1648
Juneau, Alaska 99802

February 1, 1985

HDA-AK

Betty Cato, Chairman
House Transportation Committee
Pouch V, Juneau, Alaska 99811
Mail Stop 3100

Dear Ms. Cato:

During the January 30 meeting with your other committees, I recall three different requests. Representative Pignalberi asked about matching ratios for various Federal Program categories. The major categories and federal share are:

Interstate	95%
Interstate 4R	95%
Primary	94.37%
Secondary	94.37%
Urban	94.37%
Hazard Elimination	90%
Railway Highway Crossings	90%
Bridge Replacement	80%
Forest Highways	100%
Public Lands	100%

There are a number of other categories with varying matching ratios that could be made available if it is desired. Representative Furnace asked if Federal-Aid Funds could be used to retire bonds if the proceeds were used for construction of the Knik Arm Crossing facility. The answer is Yes. As you can see from the attachment, there are a number of variables and agreements needed. The Alaska DOT&PF would need to analyze these variables to determine which would be most advantageous.

The third request was for additional copies of our publication Financing Federal-Aid Highways. We have exhausted our supply; however, Ms. Jareene Barkdoll from our Planning Section is attempting to locate copies in other Federal Highway Administration offices and will forward them as soon as possible.

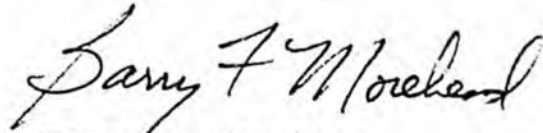
Betty Cato

-2-

February 1, 1985

I appreciated the opportunity to discuss Transportation issues with you and other committee members.

Sincerely yours,

A handwritten signature in cursive script that reads "Barry F. Morehead". The signature is written in dark ink and is positioned above the typed name.

Barry F. Morehead
Division Administrator



U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

Subject: Federal-Aid Participation
in Bond-Redemption

Date: January 31, 1985

From: Division Bridge Engineer
Juneau, Alaska

Reply to
Attn. of: HBR-AK

To: Mr. Barry Morehead
Division Administrator
Alaska Division
Juneau, Alaska

I reviewed the regulations on toll facilities and the utilization of Federal-aid funds to retire bonds, the proceeds of which were used to finance Federal-aid projects.

We can participate in toll facilities, per 23 USC 129 (Attachment 1), providing that facility eventually becomes free in some reasonable period of time.

According to 23 USC 122 (Attachment 2), we can participate in the retirement of the principal of bonds the proceeds of which were used to construct a Federal-aid primary or urban project, or the retirement of the principal and interest of bonds the proceeds of which were used to finance an interstate project. 23 CFR 140, subpart F (Attachment 3) says somewhat the same in 140.602(a&b). Paragraph "a" states that funds may be used to aid in the retirement of the principals of bonds at their maturities to the extent the proceeds have been spent for construction. 140.602(b) states that interest on bonds, the proceeds of which were expended on Interstate construction, is and eligible cost of construction.

Since interest and principal on Interstate projects is specifically mentioned while only principal is mentioned on other projects, it does not appear that interest on bonds used to finance a Primary or Urban projects is eligible.

The attached copy of 23 CFR 640, subpart F (Attachment 4) details the necessary procedures for advance construction of Federal-aid projects if we are to subsequently participate in retirement of bonds.

Charles W. Seslar

Attachment
BJA31031:CWS

has afforded the opportunity for such hearings, for the purpose of enabling persons in rural areas through or contiguous to whose property the highway will pass to express any objections they may have to the proposed location of such highway. Such certification shall be accompanied by a report which indicates the consideration given to the economic, social, environmental, and other effects of the plan or highway location or design and various alternatives which were raised during the hearing or which were otherwise considered. ¹¹⁸

(b) When hearings have been held under subsection (a), the State highway department shall submit a copy of the transcript of said hearings to the Secretary, together with the certification and report. ¹¹⁹

Sec. 129. Toll Roads, Bridges, Tunnels, and Ferries. ¹²⁰

(a) Notwithstanding the provisions of section 301 of this title, the Secretary may permit Federal participation, on the same basis and in the same manner as in the construction of free highways under this chapter, in the construction of any toll bridge, toll tunnel, or approach thereto, upon compliance with the conditions contained in this section. Such bridge, tunnel, or approach thereto, must be publicly owned and operated. Federal funds may participate in the approaches to a toll bridge or toll tunnel whether such bridge or tunnel is to be or has been constructed, or acquired, by the State or other public authority. The State highway department or departments must be a party or parties to an agreement with the Secretary whereby it or they undertake performance of the following obligations:

(1) all tolls received from the operation of the bridge or tunnel, less the actual cost of such operation and maintenance, shall be applied to the repayment to the State or other public authority of all of the costs of construction or acquisition of such bridge or tunnel, except that part which was contributed by the United States;

(2) no tolls shall be charged for the use of such bridge or tunnel after the State or other public authority shall have been so repaid; and

(3) after the date of final repayment, the bridge or tunnel shall be maintained and operated as a free bridge or free tunnel; except in the case of a bridge which connects the United States with any foreign country: Provided, That such tolls or charges do not exceed the amount necessary for the proper maintenance, repair, and operation of the bridge and its approaches under economical management: And further provided, That the entity or governmental instrumentality responsible for the operation of the portion of

¹¹⁸ Amended by sec. 24 of Public Law 90-495, Aug. 23, 1968 (82 Stat. 815); and sec. 135(a) of Public Law 91-605, Dec. 31, 1970 (84 Stat. 1713).

¹¹⁹ Amended by sec. 135(b) of Public Law 91-605, Dec. 31, 1970 (84 Stat. 1713).

¹²⁰ Amended by Sec. 5(b) of Public Law 86-657, July 14, 1960 (74 Stat. 522).

the bridge within the jurisdiction of the foreign country is charging tolls for the use of the bridge. ¹²¹

(b) Upon a finding by the Secretary that such action will promote the development of an integrated Interstate System, the Secretary is authorized to approve as part of the Interstate System any toll road, bridge or tunnel, now or hereafter constructed which meets the standards adopted for the improvement of projects located on the Interstate System, when such toll road, bridge or tunnel is located on a route heretofore or hereafter designated as a part of the Interstate System. No Federal-aid highway funds shall be expended for the construction, reconstruction or improvement of any such toll road, except to the extent permitted by law after June 29, 1956. When any such toll road which the Secretary has approved as a part of the Interstate System is made a toll-free facility. Federal-aid highway funds apportioned under section 104(b)(5) of this title may be expended for the construction, reconstruction, or improvement of that road to meet the standards adopted for the improvement of projects located on the Interstate System. No Federal-aid highway funds shall be expended for the construction, reconstruction or improvement of any such toll bridge or tunnel, except to the extent permitted by law on or after June 29, 1956. After June 30, 1968, all agreements between the Secretary and a State highway department for the construction of projects on the Interstate System shall contain a clause providing that no toll road will be constructed after June 30, 1968, on the interstate highway route involved without the official concurrence of the Secretary. The Secretary shall not concur in any such construction unless he makes an affirmative finding that, under the particular circumstances existing, the construction of such road as a toll facility rather than a toll-free facility is in the public interest. The preceding two sentences shall not apply to any toll bridge or toll tunnel. ¹²²

(c) Funds authorized for expenditure on any of the Federal-aid highway systems, including the Interstate System, shall be available for expenditure on projects approaching any toll road, bridge or tunnel to a point where such project will have some use irrespective of its use for such toll road, bridge or tunnel. ¹²³

(d) Funds authorized for the Interstate System shall be available for expenditure on Interstate System projects approaching any toll road on the Interstate System, although the project has no use other than an approach to such toll road, if an agreement satisfactory to the Secretary has been reached with the State prior to the approval of such project—

(1) that the section of toll road will become free to the public upon the collection of tolls sufficient to liquidate the cost of the

¹²¹ Amended by sec. 7 of Public Law 92-434, Sept. 26, 1972 (86 Stat. 732).

¹²² Amended by sec. 28 of Public Law 90-495, Aug. 23, 1968 (82 Stat. 815); and sec. 118(a) of Public Law 93-87, Aug. 13, 1973 (87 Stat. 259).

¹²³ Amended by sec. 8(a) of Public Law 86-657, July 14, 1960 (74 Stat. 522).

toll road or any bonds outstanding at the time constituting a valid lien against such section of toll road covered in the agreement and their maintenance and operation and debt service during the period of toll collections, and

(2) that there is one or more reasonably satisfactory alternate free routes available to traffic by which the toll section of the system may be bypassed.

(e) Notwithstanding the provisions of subsection (b) of this section, the Secretary may permit Federal participation in the reconstruction and improvement of any toll road providing for only two lanes of traffic, which is designated part of the Interstate System as he may find necessary to bring such two lane toll road to the geometric and construction standards for the Interstate System in order to provide for the safe use of such highway as part of the Interstate System and to facilitate the removal of tolls therefrom. Federal participation in such reconstruction and improvement shall be on the same basis and in the same manner as in the construction of free Interstate System highways under this chapter. No Federal participation shall be permitted pursuant to this subsection except on two lane toll roads which were designated as a part of the Interstate System on or before June 30, 1973. Before Federal participation under this subsection, the State highway department and the toll road authority involved shall enter into an agreement with the Secretary which shall provide that—

(1) no indebtedness which is to be liquidated by the collection of tolls (in addition to indebtedness in existence on date of enactment in this subsection) shall be incurred after the date of enactment of this subsection;

(2) all tolls received from the operation of the toll road, less the actual cost of such operation and maintenance, shall be applied to the repayment of only those bonds outstanding on the date of enactment of this subsection constituting a valid lien against such toll road and its maintenance and operation and debt service during the period of toll collection;

(3) the toll road shall become free to the public upon collection of tolls sufficient to liquidate all such bonds. ¹²⁴

(f) Notwithstanding the provisions of section 301 of this title, the Secretary may permit Federal participation under this title in the construction of a project constituting an approach to a ferry, whether toll or free, the route of which has been approved under section 103(b) or (c) of this title as a part of one of the Federal-aid systems and has not been designated as a route on the Interstate System. Such ferry may be either publicly or privately owned and operated, but the operating authority and the amount of fares charged for passage shall be under

¹²⁴ New subsection added by sec. 133 of Public Law 91-605, Dec. 31, 1970 (84 Stat. 1713); and amended by sec. 118(b) of Public Law 93-87, Aug. 13, 1973 (87 Stat. 259).

the control of a State agency or official, and all revenues derived from publicly owned or operated ferries shall be applied to payment of the cost of construction or acquisition thereof, including debt service, and to actual and necessary costs of operation, maintenance, repair, and replacement. ¹²⁵

(g) * Notwithstanding section 301 of this title, the Secretary may permit Federal participation under this title in the construction of ferry boats, whether toll or free, subject to the following conditions:

(1) It is not feasible to build a bridge, tunnel, combination thereof, or other normal highway structure in lieu of the use of such ferry.

(2) The operation of the ferry shall be on a route which has been approved under section 103 (b) or (c) of this title as a part of one of the Federal-aid systems within the State and has not been designated as a route on the Interstate System.

(3) Such ferry shall be publicly owned and operated.

(4) The operating authority and the amount of fares charged for passage on such ferry shall be under the control of the State, and all revenues derived therefrom shall be applied to actual and necessary costs of operation, maintenance, and repair.

(5) Such ferry may be operated only within the State (including the islands which comprise the State of Hawaii and the islands which comprise the Commonwealth of Puerto Rico) or between adjoining States. Except with respect to operations between the islands which comprise the State of Hawaii and operations between the islands which comprise the Commonwealth of Puerto Rico and operations between any two points in Alaska and between Alaska and Washington, including stops at appropriate points in the Dominion of Canada, no part of such ferry operation shall be in any foreign or international waters. ¹²⁶

(6) No such ferry shall be sold, leased, or otherwise disposed of without the approval of the Secretary. The Federal share of any proceeds from such a disposition shall be credited to the unprogrammed balance of Federal-aid highway funds of the same class last apportioned to such State. Any amount so credited shall be in addition to all other funds then apportioned to such State and available for expenditure in accordance with the provisions of this title. ¹²⁷

¹²⁵ New subsection (e) added by sec. 5(a) of Public Law 86-657, July 14, 1960 (74 Stat. 522); relettered by sec. 133 of Public Law 91-605, Dec. 31, 1970 (84 Stat. 1713).

* Relettered by sec. 139(a) of Public Law 93-87, Aug. 13, 1973 (87 Stat. 270).

¹²⁶ Amended by sec. 139(b) of Public Law 93-87, Aug. 13, 1973 (87 Stat. 271); sec. 108 of Public Law 93-643, Jan. 4, 1975 (88 Stat. 2284); and sec. 121 of Public Law 94-280, May 5, 1976 (90 Stat. 438).

¹²⁷ New subsection added by sec. 139 of Public Law 91-605, Dec. 31, 1970 (84 Stat. 1713).

(h) Notwithstanding the provisions of section 301 of this title, in the case of each State which, before January 1, 1975, shall have constructed or acquired any interstate toll bridge (including approaches thereto), which before January 1, 1975, caused such toll bridge to be made free, which bridge is owned and maintained by such State or by a political subdivision thereof, and which bridge is on the Federal-aid primary system (other than the Interstate System), sums apportioned to such State in accordance with paragraphs (1) and (3) of subsection (b) of section 104 of this title shall be available to pay the Federal share of a project under this subsection of (1) such amount as the Secretary determines to be the reasonable value of such bridge after deducting therefrom that portion of such value attributable to any grant or contribution previously paid by the United States in connection with the construction or acquisition of such bridge, and the exclusive of rights-of-way, or (2) the amount by which the principal amount of the outstanding unpaid bonds or other obligations created and issued for the construction or acquisition of such bridge exceeds the amount of any funds accumulated or provided for their amortization, on the date such bridge is made free, whichever is the lesser amount. ¹²⁸

(i) Notwithstanding section 301 of this title, the Secretary may permit Federal participation, through funds for any Federal-aid system other than the Interstate System, in any engineering and fiscal assessments, traffic analyses, network studies, preliminary modification planning, and any other study necessary to determine whether a privately owned toll bridge should be acquired by a State or political subdivision thereof. ^{128a}

Sec. 130. Railway-highway crossings.

(a) Except as provided in subsection (d) of section 120 of this title and subsection (b) of this section, the entire cost of construction of projects for the elimination of hazards of railway-highway crossings, including the separation or protection of grades at crossings, the reconstruction of existing railroad grade crossing structures, and the relocation of highways to eliminate grade crossings may be paid from sums apportioned in accordance with section 104 of this title. In any case when the elimination of the hazards of a railway-highway crossing can be effected by the relocation of a portion of a railway at a cost estimated by the Secretary to be less than the cost of such elimination by one of the methods mentioned in the first sentence of this section, then the entire cost of such relocation project, except as provided in subsection (d) of section 120 of this title and subsection (b) of this

¹²⁸ New subsection added by sec. 132 of Public Law 93-87, Aug. 13, 1973 (87 Stat. 267).

^{128a} New subsection added by sec. 120 of Public Law 95-599, Nov. 6, 1978 (92 Stat. 2700).

voucher covering such payment plus the Federal share of the value of the materials which have been stockpiled in the vicinity of such construction in conformity to plans and specifications for the project. Such payments may also be made in the case of any such materials not in the vicinity of such construction if the Secretary determines that because of required fabrication at an off-site location the materials cannot be stockpiled in such vicinity. ¹¹²

(b) After completion of a project in accordance with the plans and specifications, and approval of the final voucher by the Secretary, a State shall be entitled to payment out of the appropriate sums apportioned to it of the unpaid balance of the Federal share payable on account of such project.

(c) No payment shall be made under this chapter, except for a project located on a Federal-aid system and covered by a project agreement. No final payment shall be made to a State for its costs of construction of a project until the completion of the construction has been approved by the Secretary following inspections pursuant to section 114(a) of this title.

(d) In making payments pursuant to this section, the Secretary shall be bound by the limitations with respect to the permissible amounts of such payments contained in sections 120 and 130 of this title. Payments for construction engineering on any project financed with Federal-aid highway funds shall not exceed 10 per centum of the Federal share of the cost of construction of such project after excluding from the cost of construction the costs of rights-of-way, preliminary engineering, and construction engineering. However, this limitation shall be 15 per centum in any State with respect to which the Secretary finds such higher limitation to be necessary. ¹¹³

(e) Such payments shall be made to such official or officials or depository as may be designated by the State highway department and authorized under the laws of the State to receive public funds of the State.

Sec. 122. Payment to States for bond retirement.

Any State that shall use the proceeds of bonds issued by the State, county, city, or other political subdivision of the State for the construction of one or more projects on the Federal-aid primary or Interstate System, or extensions of any of the Federal-aid highway systems in urban areas, or for substitute highway projects approved under section 103(e)(4) of this title, may claim payment of any portion of the sums apportioned to it for expenditure on such system or on highway projects approved under section 103(e)(4) of this title to aid in the retirement of the principal of such bonds the proceeds of which were used

¹¹² Added by sec. 117 of Public Law 93-87, Aug. 13, 1973 (87 Stat. 250).

¹¹³ Amended by sec. 7(b) of Public Law 88-157, Oct. 24, 1963 (77 Stat. 276); and by sec. 118(a) of Public Law 94-280, May 5, 1976 (90 Stat. 437).

for projects on the Federal-aid primary system or extensions of any of the Federal-aid highway systems in urban areas and the retirement of the principal and interest of such bonds the proceeds of which were used for projects on the Interstate System at their maturities, to the extent that the proceeds of such bonds have been actually expended in the construction of one or more of such projects. Such claim for payment may be made only when all of the provisions of this title have been complied with to the same extent and with the same effect as though payment were to be made to the State under section 121 of this title, instead of this section, and the Federal share payable shall not exceed the pro rata basis of payment authorized in section 120 of this title. This section shall not be construed as a commitment or obligation on the part of the United States to provide for the payment of the principal or interest of any such bonds. The payment of interest on such bonds and incidental costs in connection with the sale of such bonds shall not be included in the estimated cost of completing the Interstate System. ^{112a}

Sec. 123. Relocation of utility facilities.

(a) When a State shall pay for the cost of relocation of utility facilities necessitated by the construction of a project on the Federal-aid primary or secondary systems or on the Interstate System, including extensions thereof within urban areas, Federal funds may be used to reimburse the State for such cost in the same proportion as Federal funds are expended on the project. Federal funds shall not be used to reimburse the State under this section when the payment to the utility violates the law of the State or violates a legal contract between the utility and the State. Such reimbursement shall be made only after evidence satisfactory to the Secretary shall have been presented to him substantiating the fact that the State has paid such cost from its own funds with respect to Federal-aid highway projects for which Federal funds are obligated subsequent to April 16 1958, for work, including relocation of utility facilities.

(b) The term "utility", for the purposes of this section, shall include publicly, privately, and cooperatively owned utilities.

(c) The term "cost of relocation", for the purposes of this section, shall include the entire amount paid by such utility properly attributable to such relocation after deducting therefrom any increase in the value of the new facility and any salvage value derived from the old facility.

Sec. 124. Advance to States.

(a) If the Secretary shall determine that it is necessary for the expeditious completion of projects on any of the Federal-aid systems, including the Interstate System, he may advance to any State out of any

^{112a} Amended by sec. 115(b) of Public Law 95-599, Nov. 6, 1978 (92 Stat. 2698); and sec. 107(f), Public Law 97-424, Jan. 6, 1983 (96 Stat. 2103).

tions shall be made from the State's fiscal year 1985 and fiscal year 1986 apportionments which are made under 23 U.S.C. 104(b), excluding the apportionment for Interstate construction under 23 U.S.C. 104(b)(5)(A). The total amount deducted shall be the amount reimbursed to the State on the increased Federal share of all qualifying projects. In each of the fiscal years, one-half of the total deduction shall be made from these apportionments on a pro rata basis.

(c) The total amount deducted in accordance with paragraph (b) of this section shall be reapportioned to those States which did not receive an increased Federal share under this subpart and to those States which have made repayment under this section. These reapportioned funds shall be distributed by the FHWA in accordance with the apportionment formula established for the Federal-aid primary system in 23 U.S.C. 104(b)(1). The reapportioned amount shall supplement the States' primary system apportionments for fiscal years 1985 and 1986.

(d) The apportionments made on October 1, 1984, and October 1, 1985, shall subsequently be adjusted by the FHWA in order to reflect the deductions made under paragraph (b) of this section and the reapportionments made under paragraph (c) of this section.

(e) The FHWA shall deposit all repayments made by a State under paragraph (a) of this section to the Highway Trust Fund and shall credit the repayments to the appropriate apportionment accounts of the State.

APPENDIX A TO SUBPART C OF PART 140—
MAXIMUM OBLIGATION AMOUNTS FOR
MATCHING FUND WAIVER PROJECTS AUTHORIZED PRIOR TO SEPT. 30, 1984

(Thousands of dollars)

State	Amount
Alabama	559,556
Alaska	34,806
Arizona	40,388
Arkansas	37,208
California	234,552
Colorado	47,615
Connecticut	47,358

APPENDIX A TO SUBPART C OF PART 140—
MAXIMUM OBLIGATION AMOUNTS FOR
MATCHING FUND WAIVER PROJECTS AUTHORIZED PRIOR TO SEPT. 30, 1984—Continued

(Thousands of dollars)

State	Amount
Delaware	13,231
Florida	90,754
Georgia	76,308
Hawaii	16,960
Idaho	16,969
Illinois	131,496
Indiana	120,714
Iowa	37,986
Kansas	48,427
Kentucky	41,313
Louisiana	38,770
Maine	14,459
Maryland	64,090
Massachusetts	49,583
Michigan	149,822
Minnesota	38,087
Mississippi	57,051
Missouri	102,423
Montana	34,894
Nebraska	32,196
Nevada	13,332
New Hampshire	12,554
New Jersey	85,941
New Mexico	10,323
New York	192,239
North Carolina	100,369
North Dakota	5,038
Ohio	196,379
Oklahoma	73,055
Oregon	37,783
Pennsylvania	127,060
Rhode Island	16,112
South Carolina	34,224
South Dakota	22,704
Tennessee	83,593
Texas	314,109
Utah	28,114
Vermont	10,331
Virginia	58,096
Washington	59,187
West Virginia	40,880
Wisconsin	66,015
Wyoming	23,296
District of Columbia	9,590
Puerto Rico	13,209
Total	3,292,345

Subpart D—[Reserved]

Subpart E—Administrative Settlement
Costs—Contract Claims

AUTHORITY: 23 U.S.C. 121, 315; 49 CFR 1.48(b); and OMB Circular A-102, Attachment O, Standard 2 (h) and (i).

Source: 44 FR 59233, Oct. 15, 1979, unless otherwise noted.

Source: 48 FR 54671, Dec. 8, 1983, unless otherwise noted.

§ 140.501 Purpose.

This regulation establishes the criteria for eligibility for reimbursement of administrative settlement costs in defense of contract claims on projects performed by a State under Federal-aid procedures.

§ 140.503 Definition.

Administrative settlement costs are costs related to the defense and settlement of contract claims including, but not limited to, salaries of a contracting officer or his/her authorized representative, attorneys, and/or members of State boards of arbitration, appeals boards, or similar tribunals, which are allocable to the findings and determinations of contract claims, but not including administrative or overhead costs.

§ 140.505 Reimbursable costs.

(a) Federal funds may participate in administrative settlement costs which are:

- (1) Incurred after notice of claim,
- (2) Properly supported,
- (3) Directly allocable to a specific Federal-aid or Federal project,
- (4) For employment of special counsel for review and defense of contract claims, when
 - (i) Recommended by the State Attorney General or State Highway Agency (SHA) legal counsel and
 - (ii) Approved in advance by the FHWA Division Administrator, with advice of FHWA Regional Counsel, and
- (5) For travel and transportation expenses, if in accord with established policy and practices.

(b) No reimbursement shall be made if it is determined by FHWA that there was negligence or wrongdoing of any kind by SHA officials with respect to the claim.

Subpart F—Reimbursement for Bond
Issue Projects

AUTHORITY: Sec. 115(c), Pub. L. 95-590, 92 Stat. 2698; sec. 4, Pub. L. 98-106, 93 Stat. 797 (23 U.S.C. 115(b)); 23 U.S.C. 123; 49 CFR 1.48(b).

§ 140.601 Purpose.

To prescribe policies and procedures for the use of Federal funds by State highway agencies (SHAs) to aid in the retirement of the principal and interest of bonds, pursuant to 23 U.S.C. 122 and the payment of interest on bonds of eligible Interstate projects.

§ 140.602 Requirements and conditions.

(a) An SHA that uses the proceeds of bonds issued by the State, a county, city or other political subdivision of the State, for the construction of projects on the Federal-aid primary or Interstate system, or extensions of any of the Federal-aid highway systems in urban areas, or for substitute highway projects approved under 23 U.S.C. 103(e)(4), may claim payment of any portion of such sums apportioned to it for expenditures on such system to aid in the retirement of the principal of bonds at their maturities, to the extent that the proceeds of bonds have actually been expended in the construction of projects.

(b) Any interest earned and payable on bonds, the proceeds of which were expended on Interstate projects after November 6, 1978, is an eligible cost of construction. The amount of interest eligible for participation will be based on (1) the date the proceeds were expended on the project, (2) amount expended, and (3) the date of conversion to a regularly funded project. As provided for in section 115(c), Pub. L. 95-590, November 6, 1978, interest on bonds issued in any fiscal year by a State after November 6, 1978, may be paid under the authority of 23 U.S.C. 122 only if such SHA was eligible to obligate Interstate Discretionary funds under the provisions of 23 U.S.C. 118(b) during such fiscal year, and the Administrator certifies that such eligible SHA has utilized, or will utilize to the fullest extent possible during such fiscal year, its authority to obligate funds under 23 U.S.C. 118(b).

(c) The Federal share payable at the time of conversion, as provided for in § 140.610 shall be the legal pro rata in effect at the time of execution of the

project agreement for the bond issue project.

(d) The authorization of a bond issue project does not constitute a commitment of Federal funds until the project is converted to a regular Federal-aid project as provided for in § 140.610.

(e) Reimbursements for the redemption of bonds may not precede, by more than 60 days, the scheduled date of the retirement of the bonds.

(f) Federal funds are not eligible for payment into sinking funds created and maintained for the subsequent retirement of bonds.

§ 140.603 Programs.

Programs covering projects to be financed from the proceeds of bonds shall be prepared and submitted to FHWA. Project designations shall be the same as for regular Federal-aid projects except that the prefix letter "B" for bond issue shall be used as the first letter of each project designation, e.g., "BI" for Bond Issue Projects—Interstate.

§ 140.604 Reimbursable schedule.

Projects to be financed from other than Interstate funds shall be subject to a 36-month reimbursable schedule upon conversion to regular Federal-aid financing (See appendix). FHWA will consider requests for waiver of this provision at the time of conversion action. Waivers are subject to the availability of liquidating cash.

§ 140.605 Approval actions.

(a) Authorization to proceed with preliminary engineering and acquisition of rights-of-way shall be issued in the same manner as for regularly financed Federal-aid projects.

(b) Authorization of physical construction shall be given in the same manner as for regularly financed Federal-aid projects. The total cost and Federal funds required, including interest, shall be indicated in the plans, specifications, and estimates.

(c) Projects subject to the reimbursable schedule shall be identified as an "E" project when the SHA is authorized to proceed with all or any phase of the work.

(d) Concurrence in the award of contracts shall be given.

§ 140.606 Project agreements.

Project Agreements, Form PR-2, shall be prepared and executed. Agreement provision 8 on the reverse side of Form PR-2 shall apply for bond issue projects.

§ 140.607 Construction.

Construction shall be supervised by the SHA in the same manner as for regularly financed Federal-aid projects. The FHWA will make construction inspections and reports.

§ 140.608 Reimbursable bond interest costs of Interstate projects.

(a) Bond interest earned on bonds actually retired may be reimbursed on the Federal pro rata basis applicable to such projects in accordance with § 140.602(b) and (c).

(b) No interest will be reimbursed for bonds issued after November 6, 1978, used to retire or otherwise refinance bonds issued prior to that date.

§ 140.609 Progress and final vouchers.

(a) Progress vouchers may be submitted for the Federal share of bonds retired or about to be retired, including eligible interest on Interstate Bond Issue Projects, the proceeds of which have actually been expended for the construction of the project.

(c) Upon completion of a bond issue project, a final voucher shall be submitted by the SHA. After final review, the SHA will be advised as to the total cost and Federal fund participation for the project.

§ 140.610 Conversion from bond issue to funded project status.

(a) At such time as the SHA elects to apply available apportioned Federal-aid funds to the retirement of bonds, including eligible interest earned and payable on Interstate Bond Projects, subject to available obligational authority, its claim shall be supported by appropriate certifications as follows: "I hereby certify that the following

¹The text of FHWA Form PR-2 is found in 23 CFR Part 630, Subpart C, Appendix A.

bonds, (1st), the proceeds of which have been actually expended in the construction of bond issue projects authorized by United States Code, Title 23, Section 122, (1) have been retired on —, or (2) mature and are scheduled for retirement on —, which is — days in advance of the maturity date of —." Eligible interest claimed on Interstate Bond Projects shall be shown for each bond and the certification shall include the statement: "I also certify that interest earned and paid or payable for each bond listed has been determined from the date on and after which the respective bond proceeds were actually expended on the project."

(b) The SHA's request for full conversion of a completed project(s), or partial conversion of an active or completed project(s), may be made by letter, inclusive of the appropriate certification as described in § 140.610(a) making reference to any progress payments received or the final voucher(s) previously submitted and approved in accordance with § 140.609.

(c) Approval of the conversion action shall be by the Division Administrator.

(d) The SHA's request for partial conversion of an active or completed bond issue project shall provide for: (1) Conversion to funded project status of the portion to be financed out of the balance of currently available apportioned funds, and (2) retention of the unfunded portion of the project in the bond program.

(e) Where the SHA's request involves the partial conversion of a completed bond issue project, payment of the Federal funds made available under the conversion action shall be accomplished through use of Form PR-20, Voucher to Work Performed under Provisions of the Federal-aid and Federal Highway Acts, prepared in the division office and appropriately cross-referenced to the Bond Issue Project final voucher previously submitted and approved. The final voucher will be reduced by the amount of the approved reimbursement.

§ 140.611 Determination of bond retirement.

Division Administrators shall be responsible for the prompt review of the

SHA's records to determine that bonds issued to finance the projects and for which reimbursement has been made, including eligible bond interest expense, have been retired pursuant to the State's certification required by § 140.610(a), and that such action is documented in the project file.

§ 140.612 Cash management.

By July 1 of each year the SHA will provide FHWA with a schedule, including the anticipated claims for reimbursement, of bond projects to be converted during the next two fiscal years. The data will be used by FHWA in determining liquidating cash required to finance such conversions.

Appendix—Reimbursable Schedule for Converted "E" (Bond Issue) Projects (other than Interstate Projects)

Time in months following conversion from "E" (bond issue) project to regular project	Cumulative amount reimbursable (percent of Federal funds obligated)
1	1
2	2
3	5
4	9
5	13
6	18
7	23
8	29
9	34
10	39
11	44
12	49
13	54
14	58
15	61
16	64
17	67
18	70
19	73
20	75
21	77
22	79
23	81
24	83
25	85
26	87
27	89
28	91
29	93
30	94
31	95
32	96
33	97
34	97
35	99

Time in months following conversion from "E" (bond issue) project to regular project	Cumulative amount reimbursable (percent of Federal funds obligated)
36	100

Subpart G—Payroll and Related Expense of Public Employees; General Administration and Other Overhead; and Cost Accumulation Centers and Distribution Methods

AUTHORITY: 23 U.S.C. 101(e), 114(a), 315; 49 CFR 1.46(b).

SOURCE: 46 FR 3501, Jan. 15, 1981, unless otherwise noted.

§ 140.701 Purpose.

To prescribe policies and procedures for reimbursing a State highway agency (SHA) for the costs of salaries, wages, and related costs incurred by its employees or by those of a county, city, or other local public agency (LPA) for the benefit of a federally participating highway project.

§ 140.703 Reimbursable costs.

The costs of salaries, wages, and related costs may be reimbursable for the following activities:

(a) *Preliminary engineering.* Location, design, and related work preparatory to the advancement of a project to physical construction.

(b) *Construction engineering.* The supervision and inspection of construction activities; additional staking functions considered necessary for effective control of the construction operations; testing materials incorporated into construction; checking shop drawings; and measurements needed for the preparation of pay estimates.

(c) *Acquisition of rights-of-way.* The preparation of right-of-way plans; making economic studies and other related preliminary work; appraisal for parcel acquisition; review of appraisals; preparation for and trial of condemnation cases; management of properties acquired; furnishing of relocation advisory assistance; and other related labor expenses.

(d) *Highway planning.* The orderly and continuing assembly and analysis of information about highways, such as the history of development and their extent, dimensions and conditions, use, economic and social effects, costs, and future needs.

(e) *Research and development.* The search for more complete knowledge of the characteristics of the highway system and the translation of the results of research into practice.

(f) *Administrative settlement costs—contract claims.* Services related to the review and defense of claims against Federal-aid projects, as provided for in Subpart E of Part 140 of this title, Administrative Settlement Costs-Contract Claims.

(g) *Miscellaneous functions.* Costs incurred for other activities which are properly attributable to, and for the benefit of, Federal-aid projects but are not assignable to any of the previously defined functions.

§ 140.705 Salaries and wages.

(a) Subject to appropriate authorization requirements, Federal funds may participate in the cost of salaries, wages, and related payroll expenses incurred for periods of time public employees are actively engaged, either directly or indirectly, in project-related activities.

(b) Salaries, wages, and related payroll expenses of an SHA for maintenance, general administration, supervision and other overhead are not eligible for reimbursement except as provided for in paragraph (b) of § 140.713.

§ 140.707 Travel and transportation.

(a) Federal funds may participate in the cost of commercial transportation, privately owned automobiles, and per diem or subsistence which is essential to the prosecution of the project and is performed in accordance with prescribed procedures.

(b) Reimbursement may be made for use of privately owned automobiles and per diem or subsistence which is incurred in conformance with established reimbursement policy of the SHA or LPA.

§ 140.709 Employee leave and holidays.

(a) An SHA or LPA may claim reimbursement for the costs of leave, i.e., annual, sick, military, jury, etc., that is earned, accounted for, and used in accordance with established procedures. The cost of such leave must be a liability of the SHA or LPA, must be equitably distributed to all activities, and the pro rata costs distributed to a Federal-aid project must be representative of the amount that is earned and accrued while working on the project.

(b) Compensatory leave granted by an SHA or LPA in lieu of payment of overtime to eligible employees may be claimed for reimbursement if accrued and granted under established policies on a uniform basis. Such leave costs must meet the criteria discussed in paragraph (a) of this section.

(c) Costs for other leave of a similar nature which may be peculiar to a specific SHA or LPA may also be reimbursed provided it meets the criteria set forth in paragraph (a) of this section.

§ 140.711 Social security, retirement, and other payroll benefits.

(a) Federal funds may participate in allocable costs incurred for social security, retirement, group insurance premiums, and similar items applicable to salaries and wages of public employees engaged in work in Federal-aid projects.

(b) The costs for such benefits must be a liability of the SHA or LPA and must meet the criteria set forth in paragraph (a) of § 140.709.

§ 140.713 General administration and other overhead.

(a) General administration, supervision, and other unallowable overhead costs of an SHA are those considered necessary for the management, supervision, and administrative control of a suitably equipped, staffed and operational SHA. Examples of such unallowable costs may include, but are not limited to, the following types of personnel, related payroll benefit costs, and other administrative or support services:

(1) Directors, department heads, legal, accounting, budgeting, internal

auditing, personnel, and procurement units.

(2) Related clerical, secretarial, and other support services for officials and personnel listed in paragraph (a)(1) of this section.

(3) Management, supervision, and administrative overhead costs incurred by other units or departments of State, county, or city governmental organizations.

(b) Costs incurred for services rendered by employees generally classified as administrative may, however, be considered eligible for reimbursement for:

(1) A highway planning unit and a research and development unit, in the ratio of time spent on the participating portion of work in the unit to the total unit's working hours, and

(2) Other operating units if such employees are assigned for specific identifiable periods of time to perform project-related activities in the same manner as other operating personnel.

§ 140.715 Use of cost accumulation centers and cost distribution methods.

(a) Cost accumulation centers, i.e., cost centers, cost pools, or other acceptable cost accumulation methods, may be used to capture related types of costs for later distribution to all projects or other benefitting activities for which work was performed during the accounting period. The accounting and cost distribution procedures must be in accordance with paragraph (b) of this section for types of costs incurred under the following general criteria:

(1) Salaries, wages and related payroll benefit costs may be incurred during a payroll accounting period which affects a number of projects and, therefore, may not be easily adaptable to charging directly to individual projects due to such factors as:

(i) Incompatibility of time increment for individual projects, (ii) an inordinate amount of time or additional number of documents to provide separate project coding, or (iii) a documented reduction of overhead costs by the elimination of processing source and coding required, increased electronic data processing application

APPENDIX C—FEDERAL-AID PROJECT AGREEMENT (NATIONAL COOPERATIVE HIGHWAY RESEARCH PROGRAM), FORM PR-2.1

U.S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION FEDERAL-AID PROJECT AGREEMENT (National Cooperative Highway Research Program)		1. STATE
		2. PROJECT NUMBER
SECTION I—AGREEMENT PROVISIONS		
<p>In conformance with arrangements for financing the National Cooperative Highway Research Program, hereinafter referred to as the "NCHRP," pursuant to the Memorandum Agreement effective June 29, 1965, as amended, between the Federal Highway Administration, hereinafter referred to as "FHWA," the American Association of State Highway and Transportation Officials, hereinafter referred to as "AASHTO," and the National Academy of Sciences, hereinafter referred to as the "Academy"; the State formally consents to providing the funds stated in this agreement as its contribution towards financing expenditures incurred in conducting the NCHRP in accordance with the Memorandum Agreement.</p> <p>In accordance with the action taken by AASHTO requesting the Academy, through its Transportation Research Board to administer the NCHRP, the State authorizes FHWA to charge the State's pro rata share of the costs incurred against the funds stated in this agreement.</p> <p>It is understood that FHWA will make payments to the Academy for the State's share of the cost of the program pursuant to the State-Academy Agreement for the current fiscal year and the Fiscal Agreement entered into between the FHWA on July 1, 1962.</p> <p>In the event the State's contribution towards the cost of the NCHRP is to be financed with both Federal-aid funds and State-matching funds, the State agrees to advance the FHWA the State-matching funds for its share of the estimated cost.</p>		
SECTION II—FUNDS		
3. ESTIMATED TOTAL COST OF PROJECT	4. FEDERAL FUNDS	5. EFFECTIVE DATE OF AUTHORIZATION
SECTION III—AGREEMENT AND SIGNATURES		
The State, through its Highway Agency, and the Federal Highway Administration agree to the above provisions.		
_____ (Official Name of the Highway Agency)	U.S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION	
BY _____ (Title)	BY _____ (Title)	
BY _____ (Title)	_____ Date Executed	
BY _____ (Title)		

Form PR 2.1 Previous editions are obsolete (Rev. 9-74)

Subpart D—Geodetic Markers

Source: 39 FR 28414, July 10, 1974, unless otherwise noted.

§ 630.401 Purpose.

The purpose of this subpart is to prescribe procedures for conducting geodetic control surveys when participation with Federal-aid highway funds in the cost thereof is proposed and to encourage inter-agency cooperation in setting station markers, surveying to measure their position, and preserving the control so established.

§ 630.402 Policy.

(a) Geodetic surveys along Federal-aid highway routes may be programmed as Federal-aid highway projects.

(b) All geodetic survey work performed as a Federal-aid highway project will conform to National Ocean Survey (NOS) specifications. NOS will, as the representative of FHWA, be responsible for the inspection and verification of the work to ascertain that the specifications for the work have been met. Final project acceptance by FHWA will be predicated on a finding of acceptability by NOS.

§ 630.403 Initiation of projects.

All projects shall be coordinated by the FHWA Division Administrator, the State highway department and the National Ocean Survey.

§ 630.404 Standards.

(a) Highway purposes may best be served by the establishment of station markings for horizontal control along Federal-aid highway routes at spacings of three to eight kilometers (about 2 to 5 miles) and station markers for vertical control of spacings no closer than one kilometer. These requirements may be waived only with the approval of the Administrator.

(b) Projects should be of sufficient scope to permit efficient use of field parties. Projects should extend at least 30 kilometers. Projects may be coordinated with adjoining States to attain greater efficiency.

(c) Where geodetic station markers cannot be established initially at points readily accessible from the Fed-

eral-aid route, or where unavoidable circumstances result in their being established within construction limits, supplemental projects may later be approved to set and survey markers at satisfactory permanent points, preferably within the right-of-way but at points where their use does not introduce traffic hazards.

Subparts E-F—[Reserved]

Subpart G—Advance Construction of Federal-Aid Projects

Source: 48 FR 54974, Dec. 8, 1983, unless otherwise noted.

§ 630.701 Purpose.

To prescribe procedures for the construction of projects by a State highway agency (SHA) on any highway substitute, Federal-aid system, or bridge project, in advance of apportionment of Federal-aid funds, or in lieu of apportioned funds for the Interstate System only, and for the subsequent reimbursement to the SHA of the Federal share of the cost of the project, including the payment of interest on bonds of eligible Interstate projects for which proceeds of bonds were expended in the construction of the projects.

§ 630.702 Requirements and conditions.

(a) The SHA must have obligated all funds apportioned or allocated to it under 23 U.S.C. 103(e)(4), 104, or 144, other than Interstate funds, of the particular class of funds for which the project is proposed.

(b) The SHA may proceed to construct without the aid of Federal funds any highway substitute, Federal-aid system, or bridge project in the same manner and to the same extent as a regularly funded federally participating project, subject to the following provisions:

(1) Any such project shall conform to the applicable standards adopted for roads on that system on which the project is located.

(2) The plans and specifications shall be approved prior to construction in the same manner as for other

projects on the Federal-aid system involved.

(3) The prevailing wage rate provisions of 23 U.S.C. 113, as amended, shall apply.

(c) Advance construction projects are limited to the SHA's expected apportionments for 23 U.S.C. 103(c)(4), 104, or 144 of Federal-aid funds authorized by the Congress but not yet apportioned to the States.

(d) Any interest earned and payable on bonds issued by a State, county, city, or other political subdivision, the proceeds of which were expended on a project on the Interstate system under physical construction on January 1, 1983, and converted to a regularly funded project after January 1, 1983, is an eligible cost of construction as provided for in 23 U.S.C. 115(b)(2) to the extent that the bond proceeds were actually expended in the construction of an Interstate project. The amount of interest eligible for participation will be based on: (1) The date the proceeds were expended on the project, (2) amount expended, and (3) the date of conversion to a regularly funded project or the date of bond maturity, whichever is earlier.

(e) Interest earned and payable on bonds issued by a State after January 6, 1983, to the extent such bond proceeds were actually expended in the advance physical construction of Interstate projects may be considered an eligible cost of construction in accordance with 23 U.S.C. 115(b)(3). Eligibility for participation will be based on: (1) The date the bond proceeds were expended on the project, (2) amount expended, and (3) the date of bond maturity. The amount of interest allowable as a cost of construction is limited to the excess of the estimated cost of the physical construction of the project as if it were to be constructed at the time of conversion to a regularly funded project over the actual cost of construction of the project (excluding interest). Construction cost indices will be used to determine the cost of construction at the time of conversion to a regularly funded project.

(f) The authorization of an advance construction project does not constitute a commitment of Federal funds

until the project is converted to a regular Federal-aid project as provided for in § 630.708.

§ 630.703 Programs.

Programs for advance construction projects shall be prepared and submitted in the manner prescribed for Federal-aid projects. Project designations shall be the same as for regular Federal-aid projects except that until the project is converted to a regular Federal-aid project, the prefix letters "AC" for advance construction shall be used as the first letters of each project designation.

§ 630.704 Bond proceeds expended on projects.

(a) The SHA shall include with its request for conversion action in accordance with § 630.708 a certification which provides a listing of bonds the proceeds of which have been expended on a project on the Interstate system under physical construction on January 1, 1983, and converted to a regularly funded project after January 1, 1983. The certification will show the bond amounts, maturity dates and bond interest payable.

(b) The SHA shall indicate in its request for approval of plans, specifications, and estimates (PS&E) for Interstate projects if bond proceeds will be expended on the project, for bonds issued after January 6, 1983, amount to be expended, and estimated bond interest payable. A certification which provides a listing of the bonds expended or to be expended on the projects showing bond amounts, maturity dates, and bond interest payable shall be furnished either as a part of the PS&E submission or in a separate letter to the Division Administrator.

(c) The Division Administrator shall perform adequate reviews of the SHA's records to provide assurance that bond proceeds have been or will be expended on the projects in accordance with the listing in § 630.704 (a) and (b).

§ 630.705 Approval actions.

(a) Authorizations to proceed with preliminary engineering and acquisition of rights-of-way shall be issued in

the same manner as for regularly financed Federal-aid projects.

(b) Authorization of physical construction shall be given in the same manner as for regularly financed Federal-aid projects, subject to the provisions of § 630.704(a).

(c) Concurrence in the award of contracts shall be given.

§ 630.706 Project agreements.

Project agreements, Form PR-2, Federal-aid Project Agreement, shall be prepared and executed. Agreement provision 6 on the reverse side of Form PR-2 shall apply for advance construction projects.

(48 FR 54974, Dec. 8, 1983; 48 FR 56215, Dec. 20, 1983)

§ 630.707 Construction.

Construction shall be supervised by the SHA in the same manner as for regularly financed Federal-aid projects. The Federal Highway Administration (FHWA) will make construction inspections and reports.

§ 630.708 Conversion from advance construction status to regular Federal-aid funded status.

An advance construction project may be converted to a regularly financed Federal-aid project by approval of a SHA's written request whenever sufficient obligational authority and apportioned Federal-aid funds of the particular class are available to cover the Federal pro rata share of the cost. Approval of the conversion action shall be by the Division Administrator.

§ 630.709 Progress and final vouchers.

(a) Progress or final vouchers may be submitted for the Federal share of construction costs incurred on advance construction projects after conversion action including eligible interest costs on Interstate projects.

(b) Although reimbursement cannot be made until after conversion action is completed, a final voucher shall be submitted by the SHA upon completion of an advance construction project which has not been converted to a regularly funded project. After

¹The text of FHWA Form PR-2 is found in 23 CFR Part 630, Subpart C, Appendix A.

final review, the SHA will be advised as to the total cost and Federal participation in the project when conversion is accomplished. Such final vouchers shall be retained until conversion of the project is accomplished.

(c) The final voucher shall contain certification that bond proceeds expended in the construction of the project as described in § 630.704 (a) (b) and shall include a computation of the eligible interest costs in accordance with § 630.702 (d) or (e).

§ 630.710 Cash management.

By July 1 of each year, the SHA will provide FHWA with a schedule, including the anticipated claims for reimbursement, of advance construction projects to be converted during the next two fiscal years. The data will be used by FHWA in determining liquidating cash required to finance such conversions.

Subpart H—Bridges on Federal Dams

SOURCE: 39 FR 36474, Oct. 10, 1974, unless otherwise noted.

§ 630.801 Purpose.

The purpose of this subpart is to prescribe procedures for the construction and financing, by an agency of the Federal Government, of public highway bridges over dams constructed and owned by or for the United States.

§ 630.802 Applicability.

A proposed bridge over a dam, together with the approach roads connect the bridge with existing public highways, must be eligible for inclusion in the Federal-aid highway system, if not already a part thereof.

§ 630.803 Procedures.

A State's application to qualify project under this subpart will include

(a) A certification that the bridge is economically desirable and needed as a link in the Federal-aid highway system.

(b) A statement showing the source and availability of funds to be used for construction of the roadway approaches.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

10/31/89
Date

WORK
SESSIONS

1985 + 1986



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 15, 1986

The Honorable Bette Cato
Chairman
House Transportation Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Cato:

The following information is offered in response to your December 23 letter concerning truck regulations that were recently developed by the Department of Transportation and Public Facilities (DOT&PF).

In compliance with the Administrative Procedures Act, public hearings regarding the truck regulation proposals were properly advertised and conducted. In addition, a number of meetings with industry officials were conducted over a period of almost a year before the public hearings were held. Evidence was presented at these meetings by DOT&PF, the Department of Public Safety, and the Department of Commerce and Economic Development which conclusively showed that:

- . State highway bridge and pavement designs were being overstressed by the excessive loads when lift axles were not properly used; and
- . Weights of lift axles on trucks crossing state weigh station scales were not carrying their proportionate share of the axle group load--in fact, they averaged carrying a weight of only 4,200 pounds instead of the 12,000 to 14,000 pounds they should be carrying.

The public hearings provided testimony that:

- . Lift axles could not be kept in their full weight-carrying position at all times because they become unsafe during slippery and/or hilly conditions due to traction problems;
- . Most truck-trailer vehicles could not negotiate certain turning movements with

January 15, 1986

their lift axles down because it stressed frames and running gear;

Most lift axles could not be kept at full pressure to maintain their proper weight-carrying capability due to air leaks and improper maintenance of insufficient air-producing equipment; and

A majority of those that attended the public hearings were against the lift axle limitation--this was anticipated by the department, although many drivers stated "off-the-record" that they felt lift axles were unsafe and they feared their job would be jeopardized if they spoke for the regulation.

The department made many concessions for truck haul based upon the public hearings. Most notable were the elimination of a limit on the number of axles or maximum vehicle weight and adoption of a liberal position on the continued use of the Richardson, Alaska, Seward, and Sterling Highways by the larger vehicles.

The department recognizes that in periods of severe limitations on reconstruction and maintenance funds, all measures must be taken to prevent undue damage to State facilities. Since it was demonstrated that the significant overstress conditions are occurring because the lift axles are not carrying their share of the load, it was felt that there was no alternative except to eliminate this damage factor.

Testimony was also provided that showed the haul costs were about the same when 38,000 pounds were allowed on two-axle tandem groups as compared to the costs of owning and properly maintaining additional lift axles.

In light of the above, I have decided that it is not in the best interests of the State to vacate the proposed regulations.

Sincerely,



Bill Sheffield
Governor

cc: Bruce Freitag, M&O Standards
Engineer, DOT&PF

The Honorable Bette Cato

-3-

January 15, 1986

Joe Swanson, Director,
Division of Measurement Standards
Department of Commerce
and Economic Development

Susan Fleischhauer, Legislative
Liaison, Office of the
Commissioner, DOT&PF

Alaska State Legislature

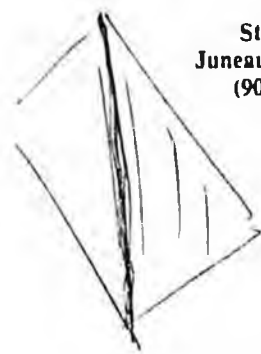
House of Representatives

Committee on Transportation



Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858



DATE: 29 APRIL 1986
TO: COMMITTEE MEMBERS
FROM: STAFF
RE: LETTER OF INTENT

On February 9, 1983 the House Transportation Committee wrote a letter of intent to accompany HCR 2 (presently Legislative Resolve 17) to define "space available basis" in the context of that resolution. Attached is a copy of a letter from the Governor which requests a new letter of intent as our previous letter prohibits senior citizens and handicapped individuals from reserving stateroom accommodations when traveling on free passage and a draft of a new letter of intent.

Also attached please find the following information:

*copy of Legislative Resolve No. 17 "Relating to travel by senior citizens and handicapped persons aboard vessels of the state marine highway system"

*Letter of Intent to accompany HCR 2 House Transportation Committee dated February 9, 1983

*Original copy of HCR 2 "relating to travel by senior citizens aboard vessels of the state marine highway system"

*House Transportation Committee minutes of February 7, 1983 and February 9, 1983

Alaska State Legislature



House of Representatives

Committee on Transportation

Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

HOUSE TRANSPORTATION COMMITTEE
LETTER OF INTENT
TO CLARIFY INTENT OF
1983 LEGISLATIVE RESOLVE 17

It is the intent of the House Transportation Committee that the Department of Transportation and Public Facilities allow senior citizens and handicapped individuals to make reservations for staterooms during the months of October, November, December, January, February, and March, but only within the thirty-day period immediately prior to each individual sailing. This relaxation should not include any other group of space-available passengers.

The Committee does not intend to prohibit senior citizens and handicapped individuals from reserving stateroom accommodations when traveling on free passage, but rather encourage and better enable Alaska senior citizens and handicapped individuals to utilize the cabin space that is generally available during the winter months.

CHAIRMAN

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 15, 1986

The Honorable Bette Cato, Chairman
House Transportation Committee
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Representative Cato:

The letter of intent to accompany HCR 2, House Transportation Committee, dated February 9, 1983, defined "space-available basis" in the context of that resolution. It prohibits senior citizens and handicapped individuals from reserving stateroom accommodations when traveling on free passage.

One effect of that restriction has been that eligible persons have declined to travel, even during the winter months when cabin space is generally available.

In order to encourage and better enable Alaska senior citizens and handicapped individuals to utilize the cabin space that is generally available during the winter months, some modification of the restriction in the legislative intent is necessary.

I request that the House Transportation Committee issue a new letter of intent that would allow senior citizens and handicapped individuals to make reservations for staterooms during the months of October, November, December, January, February, and March but only within the thirty-day period immediately prior to each individual sailing. This relaxation should not include any other group of space-available passengers.

Sincerely,

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

Bill Sheffield
Governor

cc: Commissioner Dick Knapp
Department of Transportation
and Public Facilities

HCR 2

February 9, 1983

INTRODUC

LETTER OF INTENT TO ACCOMPANY
HCR 2
HOUSE TRANSPORTATION COMMITTEE

It is the intent of the House Transportation Committee that the Department of Transportation and Public Facilities establish a procedure to define "space available basis".

The Committee intends the definition of "space available basis" in the context of this resolution to require passengers so traveling, be on stand-by until all paying passengers have been accommodated. Passengers would not be allowed to receive confirmed reservations unless they are paying passengers and would not be allowed reimbursement in the event that they purchased tickets and were later unable to travel "space available".

Bette Cato

Representative Cato
Chairman

INTRODUCTION, FIRST READING AND REFERENCEOF HOUSE RESOLUTIONSHJR 28

HOUSE JOINT RESOLUTION NO. 28 by Herrmann, Adams, Fuller, Goll, Hurlbert, Vaska, Zharoff, Grussendorf, and Clark

Relating to the processing of Native allotments.

was read the first time and referred to the Resources Committee.

HB 179

HOUSE BILL NO. 179

"An Act
holiday
tive date"

was read the first
Committee.

HB 180

HOUSE BILL NO. 180
Lindauer, Pestina,
Furnace and Barnes

"An Act
veterans'
under the
chase pre
Alaska Ho

was read the first
Committee on State

HB 181

HOUSE BILL NO. 181

"An Act
practice
the existi
gist and
iners; an
date."

was read the first time
& Social Services an

STATE OF ALASKA

THE LEGISLATURE

1983

Source

Legislative
Resolve No.

SCSHCR 2(SA)

17



Relating to travel by senior citizens and handicapped persons aboard vessels of the state marine highway system.

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

WHEREAS, since 1974, in response to House Concurrent Resolution No. 52, the state marine highway system has provided for travel on ferries by persons 65 years of age and older on a space-available basis within Alaska without charge during the months of November to April, inclusive; and

WHEREAS, during 1980, in response to Legislative Resolve No. 2, 1980, the period of free passage for senior citizens aboard state marine highway vessels was extended to October 1 to May 15 inclusive; and

WHEREAS, since 1981, in response to Legislative Resolve No. 39, 1981, the state marine highway system has provided for travel of handicapped persons on ferries on a space-available basis within Alaska without charge from October 1 to May 15 inclusive; and

WHEREAS this service has been used by increasing numbers of handicapped persons and senior citizens permitting travel on the marine highway system at no cost while increasing the number of foot passengers on vessels of the system; and

WHEREAS the policy of free passage for handicapped persons and senior citizens allows only passage without cost during the "off-season", is not extended to other services for handicapped persons and senior citizens traveling aboard vessels, and in fact requires handicapped persons and senior citizens to pay full costs of lodging; and

WHEREAS many handicapped persons and senior citizens find it difficult to use vessels of the marine highway system because of

the unavailability and high cost of lodging;

BE IT RESOLVED that the Alaska State Legislature respectfully requests the Governor to direct the commissioner of transportation and public facilities to direct the division of marine highways to extend free passage on the Aurora, Le Conte, Chilkat, Tustumena, and Bartlett, to handicapped persons and senior citizens during every month of the year to permit them to travel between Alaska ports on a space-available basis; and be it

FURTHER RESOLVED that the Governor direct the division of marine highways to investigate the possibility of making state-rooms aboard state ferries available at a reduced rate to handicapped persons and senior citizens when traveling between Alaska ports.

Introduced: 1/17/83
Referred: Transportation and Finance

1 IN THE HOUSE

BY GRUSSENDORF AND FRITZ

2

HOUSE CONCURRENT RESOLUTION NO. 2

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

Relating to travel by senior citizens

6

aboard vessels of the state marine

7

highway system.

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

9

WHEREAS, since 1974, in response to House Concurrent Resolution
10 No. 52, the state marine highway system has provided for travel on ferries
11 by persons 65 years of age and older on a space-available basis within
12 Alaska without charge during the months of November to April, inclusive;
13 and

14 WHEREAS, during 1980, in response to Legislative Resolve No. 2, 1980,
15 the period of free passage for older Alaskans aboard state marine highway
16 vessels was extended to October 1 to May 15 inclusive; and

17 WHEREAS this service has been used by increasing numbers of older
18 Alaskans, permitting travel on the marine highway system at no cost while
19 increasing the number of foot passengers on vessels of the system; and

20 WHEREAS the policy of free passage for older persons allows only
21 passage without cost during the "off-season", is not extended to other
22 services for senior citizens traveling aboard vessels, and in fact requires
23 older persons to pay full costs of lodging; and

24 WHEREAS many senior citizens find it difficult to use vessels of the
25 marine highway system because of the unavailability and high cost of lodg-
26 ing;

27 BE IT RESOLVED that the Alaska State Legislature respectfully requests
28 the Governor to direct the commissioner of transportation and public facil-
29 ities to direct the division of marine highways to extend free passage on

1 the Aurora, Le Conte, Chilkat, Tutumena, and Bartlett, to senior citizens
2 during every month of the year to permit them to travel between Alaskan
3 ports on a space-available basis; and be it

4 FURTHER RESOLVED that the Governor direct the division of marine high-
5 ways to investigate the possibility of making staterooms aboard state
6 ferries available at a reduced rate to senior citizens when traveling
7 between Alaskan ports.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House TRANS. 2-7-83 8:30am
2-9-83 8:30am

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

JAN 20 1986.

January 20, 1986

The Honorable Bette Cato
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Representative Cato:

We welcome the opportunity to respond to the questions raised in your letter of January 2, 1986.

There are 725 positions on all vessels of the Alaska Marine Highway System and up until last year they were being filled by approximately 850 employees. The reasons for the need for more employees to fill that number of positions are several, but mainly involve having relief employees available. Soon after coming aboard as Commissioner, I had occasion to be discussing ferry business with Joe Camp, Deputy Commissioner of the System and he indicated a desire to reduce summertime vacations for vessel employees. This prompted me to question how many ferry workers we hired in the summer and why would we want to give vacation to any ferry employee when we were virtually hiring people to take their place. This led the System to severely limit vacations last summer and establish a policy of no hiring. We did end up having to do some hiring in order to obtain the qualifications we needed, and twelve new unlicensed employees were added and all were residents. In past years we were hiring between 30-40 unlicensed entry level employees. As for licensed personnel there were no new hires of deck officers last summer and one Alaska resident hired into a permanent engineer officer position. As a result of this no hire policy and through normal attrition, we now have 766 employees of record to fill the 725 jobs available. As this time of year all 725 jobs are not needed and we currently have a number of ferry workers on vacation or layoff.

Of the 766 employees they break down by bargaining unit as follows:

<u>Bargaining Unit</u>	<u>Licensed</u>	<u>Unlicensed</u>	<u>Total</u>	<u>Non Resident</u>
IBU	-	590	590	49
MM&P	77	-	77	36
MEBA	99	-	99	65
	<u>176</u>	<u>590</u>	<u>766</u>	<u>150</u>

During contract negotiations which resulted in three year agreements for all three bargaining units effective April 1, 1985, the subject of residency was fully discussed. Of particular importance was the fact that the System would be sending each employee a document to fill out indicating addresses and an affidavit of Alaska residency. These were to be filled out, signed and returned to the System. As in the past, those not signing the residency affidavit would not be paid the negotiated cost of living allowance. But unlike the past, stricter scrutiny of addresses and affidavits was going to take place. Soon after ratification of the agreements the documents were sent out and a number of follow-up procedures took place, one of which was to give all employees ample opportunity to get them in prior to a November 1, 1985 cutoff of COLA if they did not. The latest procedure has been to review dispatch contacts and personnel files and if it appears out of state contact is consistently required, insurance claims or doctor statements show out of state information the individual is being informed his residency is challenged, the COLA is discontinued and the burden of proof of residency is on the individual.

Of the 155 non-vessel employees, 16 are working in the terminal at Pier 48, Seattle. With these exceptions all other shoreside employees are Alaska residents.

There is no method of determining, with any certainty, exactly what the impact of the STARDANCER was on the revenue of the Alaska Marine Highway System. We do know that a few tickets were refunded to people who stated they intended to switch to the STARDANCER, perhaps a dozen or so throughout the summer. It is reasonable to assume there were a similar number who turned their tickets in without informing us of their intentions to switch to STARDANCER.

Representative Cato

-3-

January 20, 1986

In addition, there would be some numbers who would have made their reservations with STARDANCER that would have traveled on the Marine Highway if STARDANCER had not been providing service.

A conservative estimate might be that an average of 5 to 10 vehicles and 20 to 50 passengers per trip were lost due to STARDANCER. This would amount to some \$14,000-\$32,000 per round trip. During the course of the summer this could be equated to \$225,000-\$500,000 in lost revenue.

We assume that traffic demand on the Marine Highway will increase at a rate of 3%-5% annually. If any new carrier enters service, it would impact the Marine Highway until the demand caught up with the new capacity.

I appreciate your offer to continue discussions with the House Transportation Committee on the history, current and future plans of the System.

Sincerely,



R. J. Knapp
Commissioner

cc: Joe D. Camp, Deputy Commissioner
Alaska Marine Highway System
Susan Fleischhauer, Legislative Liaison

January 28, 1986

The Honorable Bette Cato
Chairman
House Transportation Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Cato:

This letter is in response to topics that were discussed at the House Transportation Committee meeting on Tuesday, January 21.

Marine Highway System

- Q. What is the possibility of providing a "gulf ferry" between Seward and Homer?
- A. That service is already being provided by the MV/TUSTUMENA between Seward and Homer. Although the service is not direct (it stops in Kodiak), there is once a week service in the winter, and twice a week service in the summer. Because of the Sterling Highway connection between Homer and Seward, an additional direct service does not seem warranted.
- Q. The Committee is interested in fast ferries such as catamarans. Is the department exploring such possibilities?
- A. Yes. The Marine Highway System is in the process of drafting their Long Range Plan in which the concept of supplementing current service with high speed ferries, such as catamarans, is being addressed.
- Q. Does the cruiseship STARDANCER have a foreign bottom?
- A. Yes.
- Q. What is the Marine Highway System doing to compete with the STARDANCER, or this type of tour ship?
- A. Last year, the Marine Highway System added on additional sailing each week out of Seattle, for a total of two ships.
- Q. Why is it so much more expensive to haul a vehicle aboard the ferries as opposed to the STARDANCER?

January 28, 1986

- A. The STARDANCER is able to charge considerably less for vehicles because it not only carries more passengers, but those passengers are actually a large revenue source to the ship. The ship is equipped with restaurants, a casino, boutiques and various other shops where passengers spend much of their time. Also, the STARDANCER employs foreign crews; their wage scale is much smaller.

LIFT AXELS

- Q. Would the department be available to show the video concerning lift axels to the House Transportation Committee?
- A. Yes. Upon the request of the Committee, my staff is available to show and narrate the film.

JUNEAU-HAINES ROAD

- Q. Is the feasibility of the Juneau-Haines Road still being pursued?
- A. Yes. The department's Southeast Region is in the process of drafting the Southeast Transportation Plan which is looking at all modes of transportation in the region, including the proposed Juneau-Haines road. When the draft plan is complete, it will be available for public comment, and hearings will be held. Following input from the public, the plan will be revised accordingly, then the plan in its final form, will present the State's long-term strategy for addressing transportation needs in Southeast Alaska. We expect the draft plan to be completed in about twelve months.

If you need clarification on these items or have further questions, please let me know.

Sincerely,

R. J. Knapp
Commissioner

cc: Susan Fleischhauer, Legislative Liaison,
Commissioner's Office

MEMORANDUM ON THE CARBON MONOXIDE REPORT

The report on Carbon Monoxide which was distributed to the committee members was investigated and compiled by Charles Bates aboard the M/V Malaspina. Mr. Bates lives in Homer and commutes to Juneau to work on the Marine Highway.

The report shows there are significant levels of carbon monoxide present aboard. The findings of Mr. Bates exceed the level set by D.E.C. (assumed by Tom Freeman) but do not violate the state or federal labor safety standards.

Tom Freeman, a Safety Consultant with O.S.H.A., cautioned us that the method used by Mr. Bates has a "plus or minus 25% accuracy rate as noted by the manufacturer.

Tom Freeman also pointed out that a group from OSHA would look into the matter if requested to do so by Mr. Bates or anyone justifiably concerned. The industrial hygenist group with OSHA would run their own test on the boats, which they do by something called, "voluntary compliance".

I tried to contact Dr. Annette Thorn, M.D. but she was out of town. Her assistant reached her however, and said she remembered looking the report over and felt there was a "good reason for further investigation".

Mr. Bates was not contacted as he has no phone number on file with Marine Highway.

Alaska State Legislature



House of Representatives

COMMITTEES

CHAIRMAN
HOUSE TRANSPORTATION

MEMBER
RESOURCES
STATE AFFAIRS

REPRESENTATIVE
BETTE CATO
DISTRICT 6
BOX 775
VALDEZ, ALASKA 99686
(907) 835-4568
WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4858
(907) 586-2660

02 January 1986

Richard Knapp, Commissioner
Department of Transportation
and Public Facilities
Pouch Z
Juneau, Alaska 99811

Dear Commissioner:

As you know, the House Transportation Committee met in Anchorage on December 17 and 18, 1985 in Anchorage. During our discussions on the Marine Highway System, several questions were posed which we would be interested in obtaining the answers before the upcoming session.

We understand that there are 725 persons with the Marine Highway who work afloat and 155 persons who work ashore and during the past summer there were 850 vessel employees; how many of the total number of employees are licensed and how many are unlicensed? Within each category, how many are Alaska residents and how many are non-residents? How do you determine whether or not an employee is an Alaskan resident? What is your turnover? How many people have been hired during the past year? What percentage of these people are Alaska residents?

Since one of the areas in which the management of the Marine Highway System feels contributes to the shortfall in revenue projections is the M/V Stardancer, the Committee would like an analysis on the impact of the M/V Stardancer on the Marine Highway System. What will the impact of any future cruise vessels be on the Marine Highway System? What impact would this have on the future revenues of the Marine Highway System?

During this upcoming session, we would like to invite you and the management of the Marine Highway System to continue discussions with the Committee on the history of the System, and any current and future plans.

Thank you for providing us with the answers to our questions, and I look forward to being in Juneau soon.

Respectfully yours,

A handwritten signature in cursive script that reads "Bette Cato".

Representative Bette Cato
Chairman
House Transportation Committee

Alaska State Legislature

House of Representatives

Committee on Transportation



Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

December 23, 1985

The Honorable Bill Sheffield
Office of the Governor
Pouch A
Juneau, Alaska 99811

Dear Governor:

The House Transportation Committee, by motion at its meeting of December 17, 1985 in Anchorage, asked me to convey to you the committee's position on the issue of the proposed regulations concerning lift axles.

After taking testimony from Fairbanks, Kenai, Valdez and Anchorage, the committee finds that the Department of Transportation has presented no evidence to support the contention that lift axles are a safety hazard. Several drivers testified that they do not consider lift axles to be a safety problem.

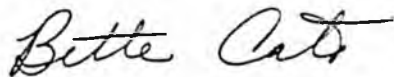
The video tape shown by the Department of Transportation demonstrated axle and weight configurations that are not used in Alaska. Furthermore, the committee finds that there is no sector of our voting population that is asking for the proposed regulation. There simply has been no justification presented for the proposed regulations.

The Committee is disturbed that the Department of Transportation has ignored the fact that 74.2% of public testimony received was against adoption of the regulation. Several compromises and suggestions were made that are worthy of consideration. The Department of Transportation has not acknowledged these. We can only conclude that the proposed regulations are arbitrary and capricious.

Furthermore, we are concerned that the Commissioner of the Department of Transportation and Public Facilities, as a lead regulator for commercial vehicles, is in a conflict of interest situation with his role as Director of the Alaska Railroad Corporation.

For all of the above reasons, the House Transportation Committee unanimously requests that you take all steps necessary to vacate the proposed regulations.

Sincerely,

A handwritten signature in cursive script that reads "Bette Cato".

Representative Bette Cato
Chairman, House Transportation Committee

cc: Chairman, Administrative Regulatory Review Committee

Transcription of
HOUSE TRANSPORTATION COMMITTEE HEARING
Held December 17, 1985
Anchorage, Alaska

MEMBERS PRESENT

Representative Davis
Representative Pignalberi
Representative Shultz
Representative Cato, Chairperson

Chairperson: You have a copy of your agenda in your folder for the two-day meeting. We're a little late in getting started this morning, but then that's what happens when we try to get together in a strange place rather than down in Juneau. I would like to make just a few remarks. This morning we are going to pick up an overview report on Alaska Marine Highway to do some discussing, talk about the bill that I introduced last year, which is still in committee, which is the Marine Highway Authority Bill, H.B. 23, and work session which is supposed to start right now on the deal. Then we'll go to lunch and this afternoon we have a teleconference with Anchorage. We'll be talking about the Lift Axle Report for the D.O.T. and T.J. Thrasher from the Trucking Association is going to talk to us. I found out since Representative Davis asked us to hook up with Fairbanks, Valdez and Mat-Su also want to be hooked up to that teleconference. We think that is excellent and are very happy to do that. That is what the agenda will be for this afternoon. I want to particularly right now at this moment, to, and I think you all will agree with me when you get all the reports, to commend our interim committee. They've done an outstanding job on various reports that we have having to do with the Marine Highway, the Lift Axles, the Essential Air Service Overview and the Alaska Railroad, which will be tomorrow afternoon. That's going to be an extremely interesting meeting. I think we are all going to be somewhat surprised. The railroad is going to come and give a presentation, then we are going to discuss various things that have occurred and I think all of us have something to say on that. Let's start right now then in looking at our overview, you have in the pamphlet in front of you the interim report on the Alaska Marine Highway.

Davis: Just let me get into the Committee, can I just ask the Chairman. Can I just ask a question on this afternoon's agenda? Are we going to review the Lift Axle Report first, is that what we're going to start off with?

Chairperson: Yes.

Davis: I wasn't real clear on how this afternoon was; are we going to take public testimony?

Chairperson: Yes.

Davis: I'll try to contact Legislative Affairs because there might be people showing up there at 1:30 that might want to talk. I told some people it was going to be about Trucker Safety and Lift Axle. I will try to, or maybe somebody from your staff, could let Legislative Affairs know what's the agenda items so that people will know.

Chairperson: I am sure that Wendy will take care of that for you.

Davis: Thank you.

Chairperson: Under our report on the Marine Highway, I think all of us are aware of the fact that the Marine Highway has been organized at the present time they have the Deputy Commissioner Joe Camp is in charge of the Marine Highway. Beneath him is Director Eugene Black, Mary Nuesbaum is the Director. They have about five individuals at the head of the Marine Highway aside and separate from CO's too. In other words, these people work just on the Marine Highway, not on any other. I'd like to have you kind of skim this report. One of the things I think is important that we recognize is the 64% of the Marine Highway's total operating budget for personnel costs and benefits for employees. There has been a lot of consternation about the salaries and various things like that. The Marine Highway recently reached an acceptable agreement with Marine Engineers Beneficial Association on the local hired engineers and I think Marc will be extremely interested in that. Not on the Marine Highway, I don't think. They were aware of our schedule and could have sent someone up on it. In your packet are a little bit of history on all the vessels, how they are in place, what the plans are for the future for the vessels. I think all of you...

Davis: This is interesting, but let me just go back to this Alaska Hire, could I do that.

Chairperson: Yes, certainly.

Davis: It says that Masters, Mates and Pilots are Alaska residents. Do you have any idea what total percentage of the people working there that are Alaska residents? I don't know what the break-down, what's an unlicensed person, persons a Master and how many of them are engineers. Do you have any idea what?

- Chairperson: It's my understanding, Mike, that I don't have the exact figures of the break-down. When Wendy comes back, we can ask her. I think she probably has a more accurate view of the actual break-down. Virtually most of the unlicensed personnel, such as your deckhand, that sort of thing, are Alaska residents. In the upper echelon and the Engineers and Master Mates and Pilots, under my own determination, I would say a good 50% of them are outside.
- Davis: It would be interesting to find out: 1. How many of these people are, what kind of turn over that they have and when they do turn over where are they hiring. I mean if you have a good job with the Alaskan Ferry you are probably going to hang on to it. That would be my first assumption, but if they are turning them over, where are the jobs going to. I think it would be worth knowing.
- Chairperson: Let's ask Wendy if she has any more precise figures. Wendy did you obtain or do you have the precise figures and the breakdown of local hire on the Marine Highway system?
- Wendy: No, just that information in there which tells you how many percent of Engineers are local hire. That was the best Mr. Camp had available without being real specific.
- Pignalberi: Will you just ask for some follow-up numbers. For example the total number of employees, which you tell us is 880, how many of those are licensed and how many are unlicensed. Then within each category, how many are residents and how many are non-residents. How do they determine whether or not an employee is a resident? What is the basis for hiring?
- Wendy: That's a definite concern. They're having a lot of them living down in Seattle and that was a concern that they're still filing as Alaska residents.
- Chairperson: I would like to inform you of a problem that we have been working with in my office quite a bit and that is that AMEBA, which is the engineering union, has a school. Their graduates from that school are immediately allowed into the union when they enter school. A person who has worked up from say deckhand and gotten his junior engineers license is virtually prohibited from joining that union if he didn't go to school. In other words, they reserve the top places for the school and I've been fighting with them. In fact, they even sent one of their executives up to the Bahamas one time to argue the point with me and I think we're going to definitely have to try

to find some way to counteract that. The individual that I'm speaking of is a young man named Peter Templeton, who has had for the last six years, I believe isn't it Wendy, had his license but is still working in other jobs on the ferry system but cannot get into the union.

Pignalberi: That sounds like blatant discrimination.

Chairperson: It very definitely is as far as I'm concerned. So I'm going to need all your help on that.

Pignalberi: Let's ask Legal Services to make a determination on that because it is violating the constitution or civil rights laws for the state.

Chairperson: Most of their graduates live out of Seattle and they send them up on relief jobs.

Pignalberi: There's a school in Seattle?

Chairperson: Is AMEBA's school in Seattle?

Pignalberi: Is that where it's at?

Chairperson: No, it's back east some place, isn't it. Yeah, I can't think of exactly where, but it's back east.

Davis: Wendy, the other thing that I wanted to point out is what kind of turn over rate do they have in the last year and how many people have been on the payroll. What percentage of them are Alaska residents versus outsiders?

Chairperson: I have a list of questions here, various things that are interesting and let me kind of go through with you. You don't have a copy of these questions, I just have them here. One of the things I have found, and I don't know how the rest of you feel about it, but I have no problem whatsoever with the state subsidizing the Marine Highway and I'll give you my reasons why. I think all of you know that the intent of the Marine Highway when it was organized was to serve Alaska. Take care of those places that did not have roads such as Cordova, all of Southeast and that sort of thing and it was a subsidization situation. When they installed the Seattle run, they started talking about revenues and I have no problem with them bringing in revenues, but I have a little bit of problem of them turning our ferries into tour ships for the convenience of tourism and not giving our people the necessary service that they need. One of the biggest gripes of Marine Highway that I've talked to was when Robin Taylor got

his bill in for Hyder, they came unglued, literally came unglued, at the fact that they were going to have to rearrange their schedule and put a ferry into Hyder. Do you remember when Robin got that bill passed on the floor, one of the arguments for that bill was the fact that they could go from Hyder and go straight to the lower 48, because of the new highway that had been built into Hyder and Steward.

Pignalberi: Sort of the Casiar [sic].

Chairperson: Yeah, the Casiar [sic]. But I want to tell you one thing that has been discussed and this has to do with revenues, the revenue breakdown on the Prince Rupert run and the Seattle run. The Prince Rupert run is two trips per week at 1,400 passengers. The number of vehicles is 330, the number of staterooms is 400. The bottom line was revenue generated was \$218,000. Seattle certainly has one ship per week. They had 1,000 passengers, 165 vehicles, 200 staterooms and yet their bottom line was \$325,000 because of the increase of the cost. In an attempt to increase the revenues, the Marine Highway Department is planning to reverse this by offering two ships per week from Seattle and one from Prince Rupert. I think this is something we all should study or understand about and that would help boost revenues. This, again, goes away from what I said, but we need to talk about this, too, as far as serving local peoples. One thing that is interesting that we all need to know about is the Stardancer, which is giving our Marine Highways a real, real challenge. Would you like to know the figures of the Stardancer?

Davis: Is that the "love boat" or something?

Chairperson: Yeah.

Davis: Have they given you a ride, Bette?

Chairperson: No, no I haven't been on it. It's owned by a foreign company. They had one sailing a week from Vancouver. Okay, the standard automobile shipping cost, Seattle to Haines on the Marine Highway is \$500, Vancouver to Haines on the Stardancer was \$250.

Davis: You mean, they can dock at uh.

Chairperson: They have a right to dock at our docks.

Davis: Wow, I didn't know that. That's great.

Chairperson: A 25-26 foot motorhome on the Alaska Marine Highway is \$1,000, on the Stardancer from Vancouver to Haines

is \$350. The Stardancer, the company is planning on putting one more vessel on next year. So, we're looking at the revenue generation picture of the Marine Highway. We're going to have to do something to counteract that.

Davis: That's a private enterprise doing. Hey, we got, just foreign bottoms are killing us, right.

Shultz: But its not a foreign bottom.

Davis: Stardancer isn't? Are you sure?

Chairperson: No, it can't be a foreign bottom. It's owned by a foreign company, but the ships aren't foreign bottoms, because it would violate the Jones Act if it was.

Davis: But, yeah, that's from ...

Chairperson: A foreign company, and by the way, maybe it is a foreign bottom.

Davis: Does it go to Vancouver?

Chairperson: Vancouver, so it has a perfect right to come up and hit an American port and then go back to a foreign port.

Davis: I should have told my friend, he just spent a big chunk of change going outside on the Alaska ferry.

Pignalberi: What is that another 150 miles from Seattle?

Davis: A little over 100 miles.

Chairperson: Yeah, its very easy to get to. I mean, like if you drive, I used to always drive from Seattle to Prince Rupert to catch the ferry rather than the Seattle run on and it's a fun ride. It's a thousand miles, but it's a fun ride and Vancouver is even closer than Rupert by far. So, I think what we need to do is determine among ourselves and other people that we talk to, what actually should the function of the Marine Highway be. Should it be to generate revenue? Should it be to serve Alaska? And therefore be, and we subsidize it anyway, but I think that's one question we all need to think about rather thoroughly. Particularly with the Stardancer coming in on us in this type of situation. It is rather interesting.

Pignalberi: It is interesting. You know, it would look to me like that as more and more companies, foreign or whatever, start operating ships and charging freight costs of a lesser price than what we are charging on

our ferry system, that we would slowly phase out the operation if necessary. Now, isn't there money set aside for, or did they purchase some of those hydro-foil.

Chairperson: No, it was demonstration. The D.O.T. is looking at a faster conveyance type situation that would not take care of automobiles for Southeast and that sort of thing, but they have not necessarily settled on the hydro-foil. They haven't really come up with anything substantial, and correct me if I'm wrong Wendy, as far as the craft is concerned. They have considered hovercraft, they considered the foil and there's one other one. What is the other one that they are considering?

Wendy: I don't know. They are looking at about three or four, but I saw in the Governor's Budget federal money was in there for several million dollars federal money for purchase of a fast ferry. So, when I talked to Marine Highway, they were still in the planning stages, but they said they put in for federal money to purchase one and I see that currently it is in the bid.

Davis: Can I ask what size?

Wendy: They didn't go into the details of it. They have a master plan which they were currently doing at the time that this report was done. They said their master plan would be ready when the legislature went into session and that would address all of those concerns and questions at that time in their master plan.

Pignalberi: I would like to request that the committee staff draft a letter to Commissioner Knapp asking him to provide us with a department study of the impact of the Stardancer competition on ferry system revenues foreseen in the future, and that an analysis should also include any new vessels that the Stardancer company is expected to bring online. I think that will significantly alter the way we look at the budget for the ferry system.

Chairperson: I agree with you. I think it would, too. Would you take care of that Wendy?

Davis: I think Marco [indiscernible]. He makes me think. What maybe we need to do, too, is talk to Stardancer, see what they're up to.

Chairperson: That would be an excellent idea.

Pignalberi: Find out what their plans are.

Davis: Invite them to come to Juneau, if they're in Juneau stop by and talk to the committee.

Chairperson: I think that's an excellent idea. I think all of you are aware then ...

Shultz: Maybe it would be a good idea to find out what their plans are in the future because they're definitely going to have an impact on ferries that are running out of here in the winter-time, etc. Are they running winter-time also?

Wendy: Stardancer? No, they don't run the year around.

Shultz: Summer-time operation.

Chairperson: This brings us then to the bill that I introduced and passed, I can't remember the year, I'm real sloppy on years, of '83 and its the Marine Highway bill which is still sitting in our committee, H.B. 23, it's gone by several different numbers. We passed it through the House, but we didn't push it through the Senate at that time and this was to separate the Marine Highway from D.O.T. because at that time, again, I think it's still happening, they were being treated like a step-child, when the budget cuts come, they come in the Marine Highway system because it's an overall budget. Last year was the first year that the Marine Highway had a budget of their own. The Bill, and we'll bring it up for discussion when we get down into session, the bill, and you have a copy of it I think in your folder, am I correct. Yeah.

_____ : We didn't pass this out of our committee, did we?

Chairperson: No, no I didn't bring it up. I was waiting for these reports and to give them a chance to see if they could do a little bit better and like I said, I think that they, and this is only my opinion, I think they have become extremely top-heavy on administrative level.

Davis: You mean, the current administration.

Chairperson: The current administrative level of the Marine Highway has become extremely top-heavy. I can't envision why they have a Deputy Commissioner and four Directors. It hasn't been needed up until last year.

Davis: You know, maybe this would be good to do too, is to have someone come to us from the Alaska Marine Highway System to give us a little historical perspective which would, I mean I think you could sort of plot the growth of the bureaucracy just by the, you could take the state budget then you could take the growth of the bureaucracy. It probably correlates real well.

Chairperson: We will arrange for that during session when we bring this Bill up particularly.

Davis: Other departments are merging directors as a budget saving mechanism, which sounds good to me.

Chairperson: I'd like to tell the Committee right now I have an ongoing battle with D.O.T. as you have all been really familiar with, the fact that I think the agency is entirely too large and I don't think I'll get any disagreement here on that. And that Executive Order #39 that Hammond put through in 1977, which merged D.O.T. and the P.F. made it into, and you've all heard my statement of, monolithic monster. Commissioner Knapp and I have had quite a few conversations and at the time I told him that I thought that perhaps one man could straighten it out, could handle the entire department, if they had enough time. I don't perceive and don't see where this is being done and I don't see where in the next year that the time is there to make it a smoothly functioning organization. So, if the Marine Highways was out of D.O.T., perhaps that would help. We've also given the Commissioner an additional job and that's on the Railroad Board. So, that I'm not necessarily forcing my opinion on you, I just want you to know what my opinion is and where some of my arguments as Chairman of the Transportation Committee comes in.

Davis: Bette, I'm sure it's here some place, but it would be nice to have maybe Commissioner Knapp and, well, I'm sure that you're not going to get unanimous support from this legislation, but maybe they should be put on the spot to say why they think they can do it better or what they can do to straighten out their act to do it better. So, maybe if we pull these guys on the carpet and sat down and talked to them.

Chairperson: I think it's an excellent idea, Representative Davis. No, they very severely oppose this bill. They've made no bones about it, in fact, they've talked in various communities against the bill.

Davis: I think there's always a reluctance on bureaucracy to do anything different than what they are doing, but it certainly, so that's one point. Another point is that I have this initial reaction that once you set up another bureaucracy and there is some inherent risk that you are not duplicating more things that need to be duplicated. So, I think that's a concern of mine in terms of accounting and all that sort of thing.

Chairperson: Yeah, I definitely agree with you, Representative Davis. That is one of the things that will have to bat if we pass this bill. This would put it into a Marine Authority, much the same as the Railroad, but with the example of some of the mistakes we made on the Railroad, they would be exempt like the Railroad in many things and would be an authority unto themselves. There's one thing that the Marine Highway has been doing that has been a little bit discouraging and that is they have been booked solid. If you call their lines, and there are nine lines going into Marine Highway now, I've been put on hold for as long as 45 minutes trying to get a reservation, but they are working that out to some extent; however, one of the things is they take reservations but they don't require the downpayment. So, what they have is tour groups reserving so much space and then not showing and the no-show, of course, when it leaves the port loses money for the district. So, one of the ideas that we've been talking about is to insist that they get a 45-day advance payment. Forty-five days in advance when they make their reservations for these tour groups and then that would take care, with penalty to be cashed if they don't show, and that would take care and would solve a lot of the standby passengers being able to get aboard and a lot more people being able to make reservations. I know my family in California has tried several years in a row to get reservations to come up and have always been told "I'm sorry, we're booked solid." And yet one year they went to Seattle and were able to go on standby just as easy as pie because of the no-show situation. That is one thing that we definitely need to look at. One of the other things that has been suggested and that is they discontinue the Seattle run. No, not that they discontinue the Seattle run. I had better get that straight in my head a little bit. That they go from Seattle to Ketchikan at a set rate and then book from there onto other places they want to go to in Alaska. That they go from Seattle to Ketchikan at a set rate and then book to places that they want to go to in Alaska. Now this is, I don't know how many of you rode the ferry system years ago, I did. This is one

thing we were able to do, is take our car off say at Ketchikan, stay a day or two, catch another vessel going to Juneau, take your car off, stay a day or day or two and catch another vessel going to Haines.

_____ : Can't you do that now?

Chairperson: No, because you have to buy your ticket all the way through to your destination. Otherwise you get the, I mean you can do it, but when you try to get on the next ship, they'll tell you they're booked up. So, if we could evolve something out of that, so the people could actually have a true Alaskan experience, this would counteract the Stardancer to some extent.

Pignalberi: I don't think we want to counteract it.

Chairperson: I kind of feel a lot the same way.

Shultz: I don't see any, where, in fact, we should encourage private enterprise to come in and take as many passengers and bring in more as possible because it's certainly going to alleviate the problem or alleviate the pressure the state put on the Marine Highway system, and at the same time tremendous opportunity for the state to begin getting more and more out of the transportation system. We're always going to have it, but at the same time we should not be competing with private enterprise and especially at a very high subsidy rate.

Chairperson: Yeah, I think Representative Shultz, what you're saying is that then would put the Marine Highway system back into service for Alaskans and they would be able to schedule more ships to Craig, more ships to various places like Hoonah, things like that so people can get from one place to another. I don't know if any of you are familiar with the Craig situation or not, but they drive about 32 miles to Hollis and then they can go from there to Ketchikan. However, none of these runs are set up for a weekend, its on a Tuesday and how many people can get out of jobs to go. In Craig there's no place to shop so they do a lot of their grocery shopping and things like that in Ketchikan. So, one reason why I bring this up is because I'm very familiar with the school system down there. Teachers are wanting to get off on Tuesday so they can take the ferry to Ketchikan purchase and come back to Craig. Well, that blows your school week. Various things like that where our ferry service isn't really taking care of the smaller areas that need that service.

Shultz: But Craig also, what does a charter cost coming out of Craig to go to Ketchikan. Don't they have a daily charter?

Chairperson: They have airplanes, yeah.

Shultz: The mail run, etc.

Chairperson: Yeah, but they're extremely expensive, \$110.

Shultz: As opposed to what with the ferry system.

Wendy: Twenty-four dollars round trip, \$110 as opposed to \$24.

Shultz: Okay, but still if you got a round trip ticket on the ferry system, you take the ferry from Craig to Ketchikan, when can you catch it going back.

Wendy: That totally depends on the scheduling for the week.

Shultz: Right, but I mean it may be a day, two days, maybe a third day that you would have to spend. It looks to me like.

Wendy: They have round trips some days.

Chairperson: Yeah, I think they have a round trip on this Tuesday that I was mentioning. You leave in the morning and come back in the evening and, of course, people want to take their cars to pick up stuff like that so they can do a lot of shopping. I was just using Craig as an example because I'm familiar with it. But we do have that situation also between Sitka and Juneau, we have between Hoonah and various places in Southeast where they really don't get the transportation needs taken care of, and that was what the Marine Highway was set up for to begin with.

Pignalberi: I like to give you copies of correspondence I've had with the local company that manufactures hovercraft [indiscernable, coughing]. Very successful in marketing that could transport 100 people plus cargo space and they make them down to the size that could hold three people and it seems to me they might be considered as part of a completely small class to serve Juneau and some of the smaller areas, and I was amazed that these were even being made here and at Anchorage. I found out about it by accident. I went and toured the facility and I saw the big 100-person machine and I asked them what the price was compared to the Boeing hydro-foils in Seattle and they were less than half the price, about 40-45% of the Boeing hydro-foil.

Shultz: How are they on the open ocean? Can they traverse pretty high?

Pignalberi: I don't know. It's probably worth, I think we sent, Barbara did we send copies to Commissioner Knapp.

Barbara: We sent one to Bill Ray.

Pignalberi: We sent them to Bill Ray because he had told me he was looking into some small vessels. Would you make copies of that and give it to the chairman. That correspondence.

Barbara: But, I just have to [indiscernible] keep the copies, I'll get some from [indiscernible] Cushing.

Pignalberi: In fact, if you're in town at all and want to go through that plant, I'll make the arrangements.

Chairperson: I would like that when I have some time. If you give it to Wendy, Marvene, it would be something we could bring up. I would like to know in the management personnel, I would like to have all of you jot down any ideas you have. What actually is happening in the Marine Highway is that it's not a policy problem, it's a management problem and let me read to you here, "they have a difficult time making the necessary changes to help meet revenue projections because much of the information they have available is two or three months old. In other words, many circumstances have been incurred for two or three months before management is able to break down what the problem is. This slow reaction time to problem areas definitely has an impact on revenues. This should be overcome in January when the ticketing system is automated. However, changes such as requiring advance payment of tickets, increasing services out of Seattle have been considered for implementation last year." However, as far as we've been able to find out, they really haven't done a great deal on that. One of the things that I have discovered as time has gone on by, that management doesn't seem to know exactly where in the heck they are going. And correct me if I'm wrong on this statement, they are supposed to put an F.I.S. system in D.O.T., financial information system, which we put millions of dollars in, which still is inoperable and one of the things that -- let's make sure I've got this in the right connection -- that they are still hand-punching in the time cards of the employees of the Marine Highway. I'm correct in that, am I not.

Wendy: Computing them all by hand.

- Chairperson: Computing them all by hand and they keep telling us, and this is the one thing that we have to worry about bureaucracy, they keep saying well we'll have it in place next week, we'll have it in place the week after, we'll have it in place, and they don't get it in place. And so, we're going to have to bring some pressure to bear to see to it that these things are put in place. They've had the monies for it.
- Pignalberi: When I worked in D.O.T. in '79, we were promised then that we were going to have the financial information system. In fact, we scrubbed one in the maintenance and operation section because we were going to sit and wait until we went department-wide. We had one all set to go, the design here in Anchorage. I don't think it's ever going to happen until the legislature doesn't pull some of these people aside and say, "put it in or you don't have a job."
- Chairperson: I agree wholeheartedly and I think it's something this committee needs to study and work on. Because it's utterly ludicrous that our financial information systems. Money's floating all over the place, you can't find out where the hell any of it is.
- Shultz: Why hasn't it been, if they've got the money and everything else, why? I mean, what's Knapp have to say?
- Pignalberi: I've looked from last year and I've found that they've spent \$400,000+ for the company, I think it might have been Price-Waterhouse, and put in a system that basically didn't work and they ended up, they were going to [indiscernable, cough] over that money because they said the system was just unworkable and they were going to start from scratch, but they've already blown the money, or part of the money, that was supposed to set the system up. That's one of the problems. The other problem is that I just don't think they've had enough management experience for instituting computerized financial information systems so they're being led by the consultants instead of leading the consultants.
- Shultz: Is that kind of like spending \$450,000 on a finance study for education and ending up with a recommendation that we really don't have a recommendation?
- Chairperson: That's kind of like the things that, yeah, we run into those things don't we.
- Davis: My apologies, I had a phone call, where are we on the agenda.

Chairperson: What we're talking about is management personnel's list of questions that I had that you don't have in your file. What we were talking about is the, one thing, just to recap a little bit, one of the things was the fact that the ferries are always all booked up, there's no shows because there is no advance deposits and we were suggesting a 45-day advance deposit on tickets or penalties received to the companies that make the reservations that don't show.

Shultz: There is no advance deposits? Currently, they don't have them, you mean?

Chairperson: This is something we've talked over the last couple of years we've mentioned it. They still haven't come to it.

Wendy: They have drafted some up for public hearing and copies of them are here.

Chairperson: Wendy, go ahead with that.

Wendy: It states "Notice is given by the Department," what they are proposing is a 45-day advance purchase and then penalties depending on when you cancel from then on. Percentage penalties if you cancel two weeks before and refund on ticket amounts, amounts refunded on tickets shall be reduced from the full ticket price if you cancel 30 days prior, 100%; if you cancel more than 20 days but less than 30 days from sailing, 80%; and its pro-rated all the way down. They have, as of doing this report, which was earlier, they had heard public testimony on it and were hoping to get these adopted so they were in place by early next year so that next summer's reservation problems wouldn't be the same as they were last summer. The problem with last summer was not only a lot of no-shows but the threatened strike, a lot of people, because of the threatened strike, looked into alternative forms of transportation and then found out about the Stardancer and the rates and that, but kept their reservations on the Marine Highway System. So although they were showing 100% capacity, a lot of their ships were only running on 70% capacity when they came up.

Chairperson: That's under Transportation of Public Facilities, [indiscernable] the fare rates and charges.

Secretary?: I am quite sure that on the winter ferry schedule they do have that penalty listed.

Chairperson: Have they got it listed now?

Secretary?: Forty-five days and I believe that it's limited to sailings out of Seattle.

Chairperson: Okay, great. I think that if they could resolve that issue, or if they have resolved it, that we need to check that out and make sure that they have resolved it and have actually put this into policy and are going to do it rather than do it just haphazardly on one phase of the ferry system and not on the rest.

Davis: I haven't obviously read this because I just got it, but it says here under possible solutions about the discussion with Representative Cato has shown that all alternatives have been explored aggressively, compete with cruise lines. How can they aggressively compete with cruise lines if they are offering a substantially reduced price?

Chairperson: I don't know how they can possibly compete unless they do offer some reduced prices and offer the same type of services the cruise ships do offer.

Davis: It says increased services on most heavily booked runs to try to increase revenue. What does that mean?

Wendy: What Mr. Joe Camp said was that they get a tremendous amount of calls and they turn a terrific amount of people away, and now with the advance purchase, they will have a lot more idea. A lot of times, unless you've got reservations on Marine Highway by February or March if you want to come up for the summer, you can't get vessel space or anything like that. Their rationale in it is that there's a lot more people that actually want to travel and they can't travel because there aren't any spaces available. That's why they're proposing putting on another ship. And they've switched the routing from two ships a week from Prince Rupert to two ships a week from Seattle because they're making considerably more. They're actually making profit on the Seattle run. So, they're hoping instead of one ship a week and minimum profits, have at least two ships a week coming out of Seattle and increase the profits and decreasing their loss that they're experiencing out of Prince Rupert. They feel by adding more services and by making some cost savings in personnel and things like that that the expenses, as opposed to the revenues, can be reduced somewhat. And, also, the revenues will be increased by more services and more passengers and more profit.

Davis: What kind of service you talking about? Like have fancy dinners, or what do you mean by increasing services?

Wendy: Number of ships actually.

Davis: Okay, that's what I didn't understand.

Wendy: They're not proposing any changes per se in the way that they provide the service right now rather than just to increase the number of.

Davis: Okay, then I understand.

Shultz: Finish the road from Haines to Juneau and tie into Cordova, let the tour ships take over the business of transporting the tourists and the Alaskans from that area North and all the ships going Juneau So

Chairperson: Representative Shultz, I like your idea real well.

Davis: Miss Valdez though.

Chairperson: Well, no we have to keep that one southcentral. That is in the summertime a paying run; in the wintertime its a losing run, but in the summertime it really, really pays off. They leave approximately 20 to 30 vessels in Valdez, 20 to 30 automobiles, I don't mean vessels in Whittier practically every day during the summer. So, they can use the larger ferry up there. There's one thing I want you to know [tape end].

TAPE 1, SIDE B

Pignalberi: Given that it is subsidized and we know all our roads are subsidized too, but given that it is subsidized and put it in a particular category where subsidized, but still you've got have some kind of control over that subsidy and I think that's where it's been always difficult. Because it's subsidy anyway, so you don't have as much breaks on it if the thing has to make a show of profit at the time.

Chairperson: Well, this is one reason for my generating this bill that I generated. That, in as much as the money that the Marine Highway generates, they go into the general fund of D.O.T. and are not necessarily placed back into the Marine Highway.

Davis: I don't know if you've done this, but you know it would be good to have a real understanding and that's why I was saying earlier about having the ferry people come, we've talked about okay here are the

runs that generate revenue, that generate money to the system and here are the ones that are real losers. They're only there for political reasons or whatever, so we would have an understanding of where the big losses are and where the ones that are revenue generating. Not that we could do anything but we could have a better understanding of how the system works and what areas may produce or give service to that are just huge.

Chairperson: Yeah, I think we could arrange that, to have that happen, Representative Davis. And we will do so.

Shultz: What ever happened to the proposal to link Haines and Juneau together. There isn't all that much of a road.

Chairperson: Megabucks plus the fact that it would still need a ferry in some parts of it there.

Davis: We've put so much money in District 17 we can't afford it.

Shultz: Good point.

Chairperson: In the, and I don't profess to be really, really familiar with the road situation from Juneau to Haines, but I do know in the proposal the ferries have to take over at two points because there is no way they can build a road in a couple of areas there. So, it had to be a combination ferry and road. It wouldn't be like Fairbanks to Valdez or something like that. It can't be a straight road.

Shultz: Even if they just tied in Skagway.

Chairperson: Yeah.

Davis: Maybe we could just read this report and then I wouldn't have to sound so stupid.

Chairperson: You don't sound stupid at all, Mike.

Davis: It's right here, all the stuff I've just asked is right here.

Wendy: Incidentally, there is only one problem with those graphs there, they're only showing direct expenses on there. So, I found out after I attached these graphs in here that the costs of laying up ships and stuff like that, these graphs only, so all of their revenues are in there but the graphs only show direct expenses. So, if you add the actual expenses in there.

Davis: Graphs that include direct expenses probably are 70%, you're looking at another 30%. So, there's not a single route that's making profits.

Wendy: No.

Davis: Do you think when you add the indirect, that's not in here?

Wendy: No, all of their graphs that they gave and provided and all the graphs that they usually provide, I've checked all the legislative reports, always have direct expenses. They don't show indirect or nothing was available. I don't know they don't show it, but nothing I had was available on total expenses.

Davis: I think we ought ask for that.

Chairperson: Yes.

Davis: I would like to see the graph to include total expenses.

Chairperson: Total expenses, if they have that information available. We usually get back if we don't have that we'll have it in a couple of weeks for you, so on and so forth.

Davis: What do they do, just take the overall budget and pro-rate it for each vessel per mile or something.

_____ : The charts show the revenue and the cost per vessel and per route. I think they're doing the right kind of analyses but they're using the wrong, not putting the total expenses.

_____ : I don't know how they can manage it.

Chairperson: I don't either and that's why I say its a management problem. They're not managing.

Wendy: I just had a couple of times that when I asked some questions like on the Columbia, then the contract that they awarded when they layed the Columbia up; okay, that's an actual expense but its not billed against the Columbia here on these graphs and things like that. The cost of running the vessel and the crew and that is, but then when they go to instances like that, they're not building that into these graphs. They're saying, "well that's not really a direct expense associated with the run; it's more of an indirect expense."

Chairperson: One thing that might be interesting to you, too, is they put the Columbia up for nine months this year. The most expensive vessel we have; the one we really need to run runs, they put it up for nine months this year. And they're not even having a skeleton crew aboard, it's just in dry dock, period. That's not for repairs and things like that.

Pignalberi: Chairman, your question is now prompting the question of what is the essential roll of the ferry system, to serve the purse or to serve the people of the state. And I just can't help but remember, as I am sure you will too, when the ferry system started it was to provide the transportation only for the people in state, and the Seattle link was started by Governor Hickie sometime later and it turned out to be a boon for the tourism industry; but it still is not making money. It seems to me now that with such an integral part of the tourism industry, we'd be doing the state a disservice by recommending that we stop that. But I didn't know about the Stardancer and what we're trying to figure out the roll ought to be, we've got an obligation to both the state and the tourism industry and I wonder if someone representing the ferry system or the state ought not to try to analyze whether it's possible to sell the Seattle run and the Prince Rupert run. The long hauls which at least are close to being profitable and probably could be made profitable in the private enterprise. To sell those runs to a Stardancer type company or Princess Tours type company, and see if they could run that at a profit, and take a look at what the savings is to the state. If we pull out of that market, pull out stake and have the long haul market, then we've got a lot more money that we can put into the local, between Sitka and Juneau and Angoon or wherever. The state will end up spending a hell of a lot less money out of the treasury. But it seems to me the market's developed enough now where we might be able to turn over some of those routes to a private company. How would you go about?

Chairperson: Jot that down, Wendy. We'll try to explore it. I think one of the things we're going to get back from D.O.T., because they're very jealous of the Marine Highway System and they really don't appreciate the Transportation Committee getting involved in, one of the things we're going to get back is that we would be destroying the Marine Highway, the profit margin. But then again, as you say, that wasn't the intent of the Marine Highway System and perhaps there can be such a thing that they could farm those out to, their reservations, to a free enterprise corporation and go back into the business of serving Alaska.

Davis: Sell some of the vessels. Maybe one way to do it is, I'm not so sure that the Marine Highway's people would bring us back a completed analysis of the situation as one might want. Maybe we ought to put out an RFP.

Chairperson: It might be an idea.

Davis: Private tour companies that are in the business to see what they come up with.

Shultz: It would depend on, if you depended, that goes for anything, any department that you request information from, they going to make the information, tell you exactly what they wanted to tell you, and perhaps everything else are going to reflect their position. These graphs here, you said no indirect costs included in it, you know. What's it tell you? It tells you we spent a hell of a lot of money, state money, having an employee or employees work up a bunch of graphs that don't give us a true picture.

Chairman: I agree with you, Representative Shultz, and what I would like to see and that is all of us to find out what we can on our own from the Marine Highway System. See if we get different answers. Such as have your staff write the letter about certain things that you are concerned about and then get together and compare those answers and see if we're being mollified, I think is what I'm looking at. See what I'm getting at. That they get a letter and said well, so and so wrote this and this is what he does, this is where he lives, so this is the information we'll give him. I will say one thing for Deputy Commissioner Camp, he has been most congenial, he has attempted to, from the viewpoint that he is looking at, give us all the information that he has available. Now even though that information doesn't show the complete and true picture, it's going to be up to us I think to find out the part that he's leaving out. I don't think he's leaving anything out deliberately. I don't think he has the information at his fingertips, again, with the fact that their management information system hasn't even gone into effect yet. No, no and he has been, I think it's his orders that anytime a call comes from my office, that he's not to be interrupted and that he will go ahead and cooperate to the fullest of his ability. I am sorry that we don't have that in a lot of other people in D.O.T. But again, I would like to have you take these reports home and study them. I didn't send them out to you ahead of time because we've been compiling them and not been able to have them all done so that you'd get them

ahead of time. But once you review the packet, it's going to give you a lot more information on various things. I'd like to have you turn to, and you'll find it right after a newspaper clipping, an apology for an abuse of a privilege, the next page shows you what Marty Neusbaum, some of the objectives that he has told to me and some of the things that he's been trying to do. He's reduced the payroll and dispatching errors by 25%, crew travel pay due to dispatch errors 28%, decreased time on recording crew seniority by 28%, processing time, this is one thing I think we're all interested in because I can remember hearing in the halls, the Vendor Bill, right it is your bill there. Vendor payments are being accomplished within 30 days of time of invoice to the payment.

Shultz: Marine Highway may be doing that, D.O.T. is not.

Chairperson: Is not, but the Marine Highway is. Then their prompt and accurate reading and response to Marine employees as to hiring qualifications and the warehouse inventory control procedures reduce the error rate. When they talk about error rate, all they want, and one of the most ludicrous things that they have as far as warehousing is concerned, warehousing is done in Juneau for the entire Marine Highway System. It's clear across town and they have to go into trucking to get their things for the entire ferry system into the warehouse, to a trucking situation to get it back to be distributed. When they were supposed to build a warehouse in Ketchikan.

Shultz: Right, that's what I was going to say was that Robin Taylor's legislation that we discussed in our Committee.

Chairperson: Exactly, and they don't appear to be doing anything towards that expediting of their warehousing, and that would save a tremendous amount of money.

Shultz: Because they were opposed to it.

Chairperson: There were definitely opposed to it.

Shultz: They were opposed to that, yet the pressure was there to do something in Ketchikan. See, that's probably the most frustrating thing, with the entire bureaucracy, it doesn't make any difference what we do, what kind of laws we pass or anything else, it's just a virtual impossibility to move the bureaucracy from a position that they have taken. If they don't want to move, they will come up with all kinds of delay tactics, etc., throughout, and I've watched

this thing and it's frustrating. Because I thought we had resolved that and I thought they were going to do something down at Auke Bay where the ferries come in. I thought they were going to put in a small warehouse in that area and that they were going to facilitate getting the state or the city has already given up the land, etc.

Chairperson: State, the city gave up the land to the state.

Shultz: Right, to the state for them to build the warehouse in Ketchikan and you're saying its going nowhere.

Chairperson: Right. It's fine to talk about reducing error, but when they don't hit the main problem itself.

Davis: Excuse me, they're building a warehouse in Ketchikan.

Chairperson: They haven't so far.

Davis: They're going to.

Chairperson: We passed that law, didn't we.

Shultz: We passed it out of the House, I don't know where it's at. I didn't keep track of it.

Chairperson: I'm not sure either.

Davis: You know it didn't pass though, right.

Chairperson: I don't know this.

Shultz: I don't know whether it passed or not.

Davis: They would have had you up there for a signature if it would have.

Shultz: No, it wasn't my bill.

Chairperson: No, it was Robin Taylor's.

Shultz: I don't make it up to the third floor to sign, or watch signatures being put on the legislation.

Chairperson: Only when your constituents come down and something has to do with them and you need your picture taken with them, right.

Shultz: Yeah.

Chairperson: I know, because that's when I do it. But I think it would behoove us to take some of the responsibility to try to solve some of these problems. At least

give them an explanation of what we as legislators think. I mean we don't sit and pass laws just to, we want them to implement it. I understand what Representative Shultz is saying about the bureaucracy. I have a real difficult time seeing what occurs in the bureaucracy because if you get a new commissioner in there, he's going to go gung-ho and he's going to do things accordingly to reduce the amount of bureaucracy and red tape and so on and so forth, and pretty soon you find them all wrapped up in it themselves. It doesn't reduce a doggone thing. To hold an empire is still holding great in D.O.T. much to our, the state's bad luck and I think Representative Pignalberi knows what I mean by that. But at any rate, do we have any more, would you all study the bill and we'll be bringing it up. Do I have all the copies or do they have a copy of it.

Wendy: They've all got a copy too, but you still have plenty.

Pignalberi: Do you have a sectional analysis done on the bill?

Chairperson: Do we have a sectional analysis on this bill?

Wendy: You have one.

Chairperson: Where do I have it? Would you get that for the rest of the members of the Committee, Wendy, and mail it to them.

Wendy: Okay.

Chairperson: And try to ask around it and make it a little bit more, including my testimony on it. I have here, and I won't bore you with it, the testimony that I did on the bill itself, which is virtually a sectional analysis and stuff like that. But I won't read it now. But I do want to tell you that we are going to bring it up for consideration in the Transportation Committee.

_____ : Does it look like the Senate will back it?

Chairperson: You never know. Can't really set those things up. But I would like to know what other things we need to talk about as far as the Marine Highway. Wendy, would you like to give the Committee an overview of the interviews that you've had on the Marine Highway.

Wendy: [Indiscernible] and I attended a meeting of the Marine Highway Authority Board or an Overview Board, mainly made up of representatives from Southeast and on that day Commissioner Knapp and Deputy Commissioner

Joe Camp sat down and talked about the goals of Marine Highway and also did a tour of the facility. Then I met with Deputy Commissioner Joe Camp on several occasions. The biggest problem that Deputy Commissioner Joe Camp is fielding is the declining revenues. The problems with laying up the Columbia and that were made because of the revenue situation this year. Marine Highway had requested \$38 million, the legislature said well that was almost \$3 million more than what the bottom line was. So, instead of saying you couldn't have it the way the money was appropriated to Marine Highway was, they were still allowed to have a \$38 million budget; however, \$3 million they had to make in additional revenues. If they made that money, they could keep it and then they could spend it so that they could have their \$38 million. At this stage, they feel that to balance their budget they're going to be \$1.8 million short of the money that they budgeted to spend on expenses. So, that's why the laying up of the Columbia and certain changes have become necessary. Some of the reasons that they're sure it is the Stardancer, a lot of the reasons that they're saying is also the really cheap airline fares have hurt. Another problem they seem to be experiencing a lot when I used to telephone each month to see where their revenue projections or where their revenues were up to, when I would call in August, they could only give me figures from May. So, because they still hand punch in all those tickets, too, so by the time the summer is over, their revenue short fall is really dramatic by that time. Three months have gone by, they haven't adjusted any of their management ideas to compensate for their losses, so right now I have figures from them for August and September and it is December. So, the summer was over before they made any anticipated changes. I just wanted to correct something as this report went on and we did it initially in August and then went on through updating it, those advance payment has gone through, I just checked with my record. That advance payment was effective October 31st. So they are going to go ahead and require advance payment. They feel the advance payment and what I talked about with Representative Davis aggressively compete. They feel that adding more services and fast ferries, actually the philosophy of Marine Highway as far as new ideas or something innovative really isn't changing. The best that they seem to have is advance payment of tickets and offer more services. I did ask the Deputy Commissioner, I said what happens now that the cruise lines are also going to aggressively compete, and right now they're less than half the price and they're planning on putting on new ships

next year, too. So, they're going to probably fill those ships to capacity. Marine Highway to this date doesn't have an answer to that question. They're just hoping that there will be enough people to fill up all the cruise ships and the new Marine Highway run that they are adding.

Davis: That's why they need to be able to make the changes in their decisions is real critical. Obviously, if they're going to put on four ships where they've only had one in the past. Right, is that all they've had?

Wendy: Only had one running.

Davis: There's got to be a saturation point some place.

Wendy: Now, they say in January that they will have their computers on line so that they will be able to tell. It was amazing to go down and have a look at the system and realize that this one girl receives the tickets and hand punches all the tickets for like Myrene. Now imagine if you mailed the tickets for May. I mean, that's a tremendous amount she hand punches and then these other women over there have hundreds and hundreds of time sheets with some overtime and that on them and they hand calculate all the time sheets. So, a lot of it was very surprising. It seems like, and the Deputy Commissioner agrees, that they seem to react after the problem has happened because of the way that it is set up. The problem happens and then it's magnified and then they react with a solution to the problem. By then it seems like another one has already started and is on its way. But their answers to what they're going to do about that, they really don't seem to know.

Pignalberi: I know that it's nice to have computers, but this is not going to solve the problem because they have enough operating experience now to know exactly what it costs to run a vessel from any point A to any point B in the system. So they absolutely know what their costs are and it's not that difficult everytime a vessel leaves the port, just like when the airline leaves the gate, a gal gets on the phone and calls the operation center and says flight 202 is leaving with 78 passengers aboard. They can call that in and calculate what their revenue is instantly. It's just not that hard to do, but I don't think they believe it will make them manage better and provide them better information is they just collected that on a daily basis. That's a lot less onerous to collect than it is to punch in the tickets by hand.

Chairperson: Representative Pignalberi, I think you'd find the pursers aboard the vessels feel exactly as you do. They have an absolute count, but the Marine Highway won't use the purser's count. They wait until the tickets are in and then punch them out by hand.

Pignalberi: That's just plain dumb management on the part of the main management.

Chairperson: That's what I said. I think the thing with the Marine Highway is a management problem. I think we can find a lot of changes if they would update their management system and anticipate problems rather than wait until problems happened and then haphazardly run around crazy trying to solve the problem.

Wendy: Just one last thing. Marine Highway makes the papers constantly. It seems like anymore when you open a paper there's something. This was an article that was run an apology for a recent privilege. This was another article that was run on letters to the editor. Representative Cato received quite a few calls from Marine Highway employees and in discussions with the employees, one thing comes out. A lot of this is frustration that is expressed. They say that the upper management, that the system is top heavy and all of these accusations. But I think the biggest problem comes out is that management does not communicate with a shore or a float personnel at all and float personnel were very, very unhappy recently with the new reservation system that they're supposedly going to install. They've gone ahead and purchased the system and they never had meetings with the personnel who operate the system every day. They never received any input at all. It was just a management decision made. That's the biggest complaint coming from all the employees. Where a lot of the hostility comes from is management goes ahead and make the decisions that doesn't work within the system that they have. They never ever sit down and say what can we do to improve the system, what are the customers that you're working with every day, what are their complaints, what can we do, what would you like to see us do. It's just all the employees seem to feel that management is totally inaccessible to them. So as a result, these letters to the editor and a lot of things like this result from that frustration.

Myrene: I would just like to agree with what she found out. I traveled quite a bit on the ferry system this summer and talked to a number of employees on there. Their feelings were the same. They were very upset that they didn't have any input into management.

They had no access to them. Some of their desires was to try to get at least some of the people, the actual working employees, to get to meet with management on such [indiscernible] and have that interchange of ideas or frustrations or whatever.

Chairperson: I can very definitely verify that and attest to me being based in Seward and the Bartlett in Valdez, they have no communication with management at all. I think we're going to have to prod them a little bit to attempt to insist that they have set up a system of some kind where they take the input or gather the input of the actual employees themselves. Because I have seen stats and figures done by different pursers and different skippers that would help the management of the Marine Highway tremendously, except they won't accept them. Do we have any other comments on the Marine Highway System. We know that's one thing we'll be working on this session. We're all going to be extremely busy this session. So, your suggestions have been noted by Wendy and she'll attempt to find out the answers to your concerns and whatever others you have after you read the report, bring up to us. Call my office. Wendy is going to go on vacation, Rhonda will be there. I think all of you saw in your folder two new staff personnel, didn't you? We have a new boy and a new girl in staff personnel now and I don't think they'll be contributing a great deal, locally at least, until they get a little bit older; but it's Rhonda's way of showing you her twins. We all saw them develop. You remember one day she was fairly slim and the next day she looked like a box car. That was the day she found out she was having twins, rather than just one baby. If we have no further business then this morning pertaining to the Marine Highway, then I'll recess the meeting until 1:30 this afternoon. If you'll look at your agenda, you'll find that we will be going in to present it to the Committee as an agenda change whereas we're going to put the report by T.J. Thrasher above the hook up with Fairbanks, so they can hear what she has to say prior to their comments. Does that meet with your approval, Mike.

Davis: That's fine Madame Chair.

Chairperson: I think at the present time only Fairbanks is on line. Do we have anybody in Valdez or are they on line yet.

_____: No, they're not on line yet.

Operator: This is Annie in Fairbanks and I'm sorry we are not dialing in Valdez or Mat-Su and just very shortly we'll hit the switch and they will all be on hold with us.

Chairperson: All right, real fine. Thank you. But as I told you all the change in the agenda, I would like to have the Alaska Trucking Association discuss the regulations and then we'll go onto public comment and testimony. After that we'll hold our work session. I think that order is a little more appropriate at this time. So we'll wait a couple of minutes for the hook-up to Valdez and Mat-Su in as much as they requested to be in on this teleconference. For the Committee, I would like to have you...

Operator: Can you hear me.

_____ : This is Harry in Anchorage.

Chairperson: Valdez can you hear Harry.

Mat-Su: Can hear Harry.

Chairperson: Down in Valdez, do you hear Harry.

Valdez: I can hear you, but I'm getting a lot of static.

Chairperson: I hear the static also. We may have to sort of forget about that today if you can hear the transmission.

Bonahan: Donna, this is Harry in Anchorage. Can you hear me?

Donna: Yes, I can Harry.

Bonahan: Mary in Mat-Su.

Mary: Yes, Harry, I can hear you.

Bonahan: Thank you.

Chairperson: All right, we'll continue then with our portion. I'd like to have the Committee turn to the first page after the signature page on the Lift Axle Regulations proposed by D.O.T. and this will tell you a little of what we have done. You'll see there the public hearing and the results of those public hearings. I would like at this time to ask T.J. Thrasher to give us a presentation. T.J. is the Executive Director of the Alaska Trucking Association.

Thrasher: Thank you Chairman Cato. I am T.J. Thrasher, the Managing Director of the Alaska Trucking Association.

We appreciate the opportunity to be here today and talk about a few things we've been working on almost a year and a half. As you know, I have not been feeling very well so I have asked a member of our association, Harry Banahan, Big State Motor Freight, to come here today and make the presentation. I came here with him, but he will on my asking to, be talking to you about the revised or the final, what we think will be the final, regulations on lift axle if I might.

Chairperson: Yes, thank you very much, T.J. I do recognize the fact that you have been ill and Harry will be a good representative.

Banahan: Thank you. On my comments concerning the proposed regulations, I would like you to understand that the Alaska Trucking Association for the last year and a half has debated and met with the Department of Transportation many, many times, at least six times, regarding the proposed changes, which if I am to understand at this point are due to go into effect immediately. These changes were opposed by our association, our members and concerned citizens insofar as they will ultimately cost the industry a great deal of money and equipment and that they would also cost the consumer quite a bit in increased rates. Over the period of one year, for example, we expected, it was my understanding that rates would have to rise just on a seven axle configuration, some \$10 per hundred weight on every commodity that was hauled over the road between Anchorage and Fairbanks and Valdez and Fairbanks. It appears the regulations in the draft, this is the first draft that I've seen, it appears that these regulations are a fair compromise on the surface; however, they're only a fair compromise insofar as they alleviate the problem of being able to pull maximum capacity loads between Fairbanks and Prudhoe Bay. They do not really, they do not do anything for the trucker that makes his living between Fairbanks and Valdez and Anchorage and Fairbanks. While it's true that each point mentioned in this memorandum that I have before me from Commissioner Knapp, each one of these is probably directed with the, it's my understanding, with the inability of the State Department of Transportation to either fix the roads to the standards necessary to support the laws that we had in effect or to fund the Department of Public Safety with the adequate personnel necessary to enforce the laws. I think those are the two, probably the two saline or most saline points that Commissioner Knapp has hung his hat on in asking that these regulations be changed. While it's

very, very true that our state is undergoing an economic change in the production of revenues on the oil business, I think it's very, very foolhardy for us to pass along increased trucking charges to the very group of people that we depend on for practically 80% of our state revenue thereby increasing the well-head cost of the oil and reducing state revenue further. This has been my tack since these hearings took place and I've listened to virtually all of them with the exception of one that was held in Juneau. Most of my colleagues agree with my particular assessment of the situation. These points, as I see them, represent a good compromise insofar as North Slope Haul Road is concerned, but I think they really limit and increase the cost to the consumer in the railbelt quite dramatically.

Chairperson: Mr. Banahan, I'd like to know what your impression is, or the safety angle in banning the lift axles. Could you give us a statement about that?

Banahan: Safety has always been a prime concern and I've known people that have put down the lift axle with too much air pressure on it and lost the ability to steer and this can happen. These axles have been in effect up here or been used since the early '70s and I would say most notably, with all the drivers that I've had contact with, they've been used practically without exception in a safe manner. While it's true that part of the industry abuses the use of the lift axle, I don't think the lift axle in itself, in and of itself, represents a safety factor unless it is abused or used in conditions which would normally be unsafe to be driving in anyway. In other words, you wouldn't put the lift axle in your own position on a slippery hill where you were coming to a series of turns because you would reduce your steering capabilities. Given the fact that most of these occurrences, or most of these conditions, slippery conditions occur during the wintertime when the road is frozen anyway, there is virtually no damage to the roads. So, therefore, the driver is going to pick that lift axle up and give him the necessary traction that he needs to negotiate the roads safely. I don't really think that the safety is a real issue in this case as far as the lift axle is concerned. I think it's a minor one. From my experience in the industry up here for the last 15 years, I personally only know of one case where the lift axle played a prominent part in an unsafe condition, where there was a loss of life involved. Safety is not an issue with the lift axle. As I understand it, the Department of Transportation, their major concern was the deterioration of the roadway and bridges.

Chairperson: Do the members of the Committee have any questions for Harry?

Davis: This is the first I have taken a look at the regs. I have a question on [tape noise] a compromise for people doing a long haul, but the short haul is going to make things real difficult for the people that you represent. Could you explain that?

Banahan: Okay for six months of the year, according to the synopsis of the regulations that I see in front of me here

Davis: This is the regs right here. Are we looking at the same sheet of music.

Banahan: These are the proposed regs that I have here, this and this. This is a synopsis, do you have a copy?

Chairperson: The synopsis is the letter from William F. Cummings?

Banahan: Yes, to William F. Cummings.

Chairperson: Yeah, it's right past that long sheet.

Davis: Go ahead, I'll find it in here.

Banahan: I'd like to go over the synopsis and the point by point situation. In answering your question though, for six months of the year, according to the regulations here, the state is going to allow a weight shifting program which will effectively give you the same amount of weight allowable on the number of axles on one less number of axles, but only between Fairbanks and Prudhoe Bay. For example, the typical North Slope rig has a four-axle truck and a three-axle trailer for a combination of seven axles. The front axle, not the steering axle, but the front drivers axle behind the truck is a lift axle typically. That lift axle under these regulations comes out of there in October of '86 and will no longer be allowed for determining weight. It is not very practical in any sense, nor is it safe to use three axles in the down position on a truck most of the time in slippery conditions when you're negotiating turns. And, because of the number of axles in the down position when you're making a turn, you scrub the tires and it's very difficult to make a turn. In the slippery icing conditions you pick the axles up to allow you to have more weight on the steering axle so you can move your steering better and more weight on your driver so you get better traction. But for six months of the year the state has said okay, we will give you the

2,000 pounds on your two driving axles now instead of where before we gave it to you on three. But only on the Dalton Highway, north of Fairbanks, below Fairbanks on that portion leading to Homer. Okay, now for six months of the year, you can haul the same payload that we hauled prior to these regulations as if they had not changed anything. But during the summer months, we will lose approximately 1,500 to 2,000 pounds per load. That means that adds up to on a typical load of about \$.10 a hundred weight for the North Slope Highway for the Haul Road. But the rest of the year, that six month restriction or that allowance only applies to the North Slope Haul Road. People that live on the pavement between Valdez and Fairbanks in the Railbelt area between Anchorage and Fairbanks, Glenallen. Those people will be faced with a 2,000 pounds or on a six-axle rig now, 2,000 pound reduction in their ability to haul, which will in effect increase their transportation costs as much as \$.10 per hundred weight.

Davis: You said that this is going to, this new regulation will virtually attack the people in the industry. Its curious, how many of the [tape end].

TAPE 2, SIDE A

Banahan: Will not be used in figuring the weight allowance. It had the ability to come up off the road, whether or not it's up off the road, but it has the ability to come up, it will not be used in determining your weight allowance for that group of axles. Now what this means is that you're either going to have to weld that axle down in the permanent down position so that it cannot be lifted from the boom surface or you're going to have to remove it. It doesn't make any sense to have that on there and, you know the lift axle assembly weighs in the neighborhood of about 2,500 to 2,600 pounds in itself, so it doesn't make any sense to have that on there and carry that extra weight around for no reason.

Chairperson: Representative Davis, continue.

Davis: You can start at the beginning, I know something about this issue. My final question is what are some of the other states, is there any states that have lift axles besides Alaska? Are we the only one that has those lift axles?

Banahan: I'm sure there are other states that have them, although I don't know what states they are off the top of my head. Perhaps T.J. Thrasher might counsel me.

Thrasher: Washington state, just last month put in a new bill supporting for the very first time.

Davis: How about the other states?

Thrasher: Out of the Pacific Northwest there is seven states that do allow. There are some modifications though. None of them allow them like Alaska had in full, but some of the mountain states do allow.

Banahan: So, with some modifications there are seven states that allow, perhaps not in the same way or the same circumstances as Alaska, but they are in effect and as T.J. mentioned, the state of Washington last week introduced a measure to allow them there.

Davis: I did have just one other. You mentioned in your testimony that you thought the lift axles were the primary thing pushing the removal of the lift axle was the weight problem. It wasn't safety. I mean I don't know.

Banahan: Probably not weight.

Davis: But I just have heard a lot of people talk about their concern was the safety and some of them were truck owner/operators in Fairbanks. I mean I've heard that, I don't have any documentation, but I know that that's something that I've heard. They were concerned. Not necessarily the owners but some of the operators.

Banahan: It isn't actually a concern for safety, especially in the driving conditions and the wind conditions that we perform under. People in the industry and drivers that I've known over the years have had a definite reason for not wanting that third axle down there. It is unsafe in a lot of the slippery conditions on the Haul Road between Fairbanks and Prudhoe Bay or on the pavement for that matter. Knowing when and how much pressure put on that lift axle under changing driving conditions is part of the drivers expertise and he puts hands heavily upon. It is a, safety is an issue, it's always an issue. If there's one life that's lost or one person that's hurt, but is not a major issue in this case because the people that put these on their trucks, the drivers that put these on their trucks know how to use them. They've known how to use them for years and it's not something that they're unfamiliar with nor something that they can't deal with given the right set of regulations to stay within. The safety issue is a, I didn't mean to relegate it to a point of insignificance. It's not insignificant

certainly, but it wasn't the major reason that the Department of Transportation had for promulgating these regulations. It was not an issue as I saw it in any of the informal and formal hearings in which I participated. It was a concern of the people that attended the hearings, some owner/operators to be specific.

Chairperson: Thank you very much. Do you have anything else, Harry.

Banahan: Not at present, no.

Pignalberi: Would you help me with your last name, Harry.

Banahan: Banahan.

Pignalberi: Banahan. If lift axles are a safety problem, it seems to me that it would be reflected in the liability insurance rates that companies have to pay for the lift axles. Can you tell me whether or not you know if there is a difference in the insurance premiums that have to be paid for a vehicle that has a lift axle as opposed to a vehicle that does not have a lift axle.

Banahan: I can't say that for sure. I imagine there might be a slight difference insofar as the value of the tractor is concerned or, it certainly would increase the value of a tractor that had a lift axle over one that did not have one, because it is an additional cost item that's added to a truck. Most trucks when they come from the factory are not made with a lift axle. You have to buy them separately and then install them at the dealership. But at this point I don't believe there's any correlation between the increase in insurance rates that we're all suffering with in our industry and the use of lift axle in safety.

Pignalberi: I don't want to imply that I think there's any connection between the current insurance prices and the lift axles, but I am trying to find out whether or not it's a standard course of business insurance companies have asked for higher premiums not because of the added value that the lift axle represents but because of the safety problem. Maybe there's a higher risk.

Banahan: No, none whatsoever.

Chairperson: Thank you. Anything else.

Banahan: No, that's all. Thank you.

Chairperson: All right, I would like to have the people listening in Fairbanks and the Committee to look at some of the things that have occurred and what the results of public hearings that D.O.T. held. If you look in your pamphlet, right past the first page, it gives us the stats and I'm going to read these aloud so that the listening audience can hear them. There were three public hearings held by D.O.T. having to do with the proposed regulations. In Anchorage, public hearing was held August 28, 1985, 37 persons total testified, 35 testified against adopting the proposed regulations. In Fairbanks, there was a public hearing held August 30, 1985, 26 persons testifying total, 14 testified against the document proposed regulations. In Juneau, public hearing was held September 5, 1985, 7 persons testified, 4 testified against adopting the proposed regulations. Overall these numbers averaged 74.2% of the testimony received were, that testimony was against the adopting of these regulations. I think that it is to public benefit to know these statistics, know what the results of the public hearings were; however, the regulations did go to the Attorney General and are now in the office of the Lieutenant Governor to be signed and go into effect January 1, 1986.

Davis: Madame Chairman, just a question on these proposed regulations. Did they change any from the proposed to the ones that are about to be adopted? Was there any modifications taken up because of the testimony.

Chairperson: You'll find that on the page right after the long sheet that you have.

Wendy: In hand writing is the sections that they added. This was the public testimony received. So, the handwriting is the segments that they sent back for redraft. They're reflected in the final regs.

Chairperson: Listening to Mr. Banahan's testimony, these were not significant changes. They really didn't change the proposed regulations that much to the benefit of individuals driving other than on the Fairbanks/ Prudhoe Bay Road.

Davis: So the modifications or changes were just for the proposal on the Haul Road.

Chairperson: Primarily. I think now that we'll probably go to Fairbanks and see if there's somebody in Fairbanks that wishes to testify. Fairbanks, can you hear me?

Fairbanks: This is Fairbanks.