

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5125 HTRA COMM. MTGS: OVERVIEW ON DOT - WRK. SESS. ON AK. MAR. HWY

COMMITTEE MEETING:

OVERVIEW ON
DOT with

COMMISSIONER
GUTIERREZ
1-28-87

STATE OF ALASKA
THE LEGISLATURE

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

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May, 1988

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Mary Van Nimwegen

House Transportation:

1/28/87

Alaska State Legislature



House of Representatives

Committee on Transportation

Rep. Bette Cato, Chairman

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

JANUARY 28, 1987

INSIDE YOUR FOLDERS ARE:

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- * Department of Transportation and Public Safety Operating Budget and Operating Budget Summary prepared by the Governor's Office
 - * DOT/PF Operating Budget Comparison and Narrative Overview prepared by DOT
 - * An Overview of Questions asked by House Finance Committee Members during a presentation by the Department of Transportation

* * * * * DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	86 ACT	87 AUTH	87 REV	88 GOV	88 GOV - 87 REV COMPARISON	
	TRANSPORTATION						
	OFFICE OF THE COMMISSIONER						
2	COMMISSIONER'S OFFICE	641.6	575.8	536.9	504.1	-32.8	-6.1%
4	STATEWIDE DEPUTY COMMISSIONER	779.0	242.7	218.5	207.9	-10.6	-4.9%
6	EQUAL EMPLOYMENT & CIVIL RIGHT		704.1	704.1	681.7	-22.4	-3.2%
8	INTL ARPT REVENUE CNTRL OFFICE				228.5	228.5	100.0%
10	DATA AND WORD PROCESSING	8.3					
12	INTERNAL REVIEW	679.5	842.5	842.5	842.5		
	*** PROGRAM TOTAL ***	2108.4	2365.1	2302.0	2464.7	162.7	7.1%
	STATEWIDE MANAGEMENT & FINANCE						
16	MANAGEMENT AND FINANCE	2102.7	2124.6	2124.6	2456.6	332.0	15.6%
18	DATA AND WORD PROCESSING	72.7					
20	STATE EQUIPMENT FLEET	304.6	441.0	441.0	756.5	315.5	71.5%
	*** PROGRAM TOTAL ***	2480.0	2565.6	2565.6	3213.1	647.5	25.2%
	STATEWIDE INFORMATION SYSTEMS						
24	INFORMATION SYSTEMS	2435.4	2167.8	1911.8	1911.8		
	STATE PLANS, PROGRAMS & BUDGET						
28	PLANS, PROGRAMS & BUDGET	1769.8	1846.2	1669.3	1673.1	3.8	0.2%
30	STATEWIDE AVIATION PLANNING	274.9	250.5	245.8	245.8		
32	DATA AND WORD PROCESSING	98.4					
34	UNBUDGETED RSA'S HPR/IARF	823.3					
	*** PROGRAM TOTAL ***	2966.4	2096.7	1915.1	1918.9	3.8	0.2%
	STATEWIDE RESEARCH						
38	STATEWIDE RESEARCH	964.3	774.9	711.2	746.2	35.0	4.9%
	STATEWIDE ENG & OPS STANDARDS						
42	ENG & OPS STANDARDS	2453.0	2286.0	2050.7	1741.7	-309.0	-15.1%
44	DATA AND WORD PROCESSING	15.6					
46	CIP PROGRAM	2657.4	3497.5	3497.5	3754.8	257.3	7.4%
48	UNBUDGETED RSA'S	69.7					
	*** PROGRAM TOTAL ***	5195.7	5783.5	5548.2	5496.5	-51.7	-0.9%
	CENTRAL REGION ADMIN SERVICES						
52	ADMINISTRATIVE SERVICES	2073.9	1710.1	1618.7	1618.7		
54	STATE EQUIPMENT FLEET	5814.5	6132.1	6132.1	6116.7	-15.4	-0.3%
56	DATA AND WORD PROCESSING	20.7					
58	AIRPORT LEASING	328.2	271.2	271.2	391.9	120.7	44.5%
	*** PROGRAM TOTAL ***	8237.3	8113.4	8022.0	8127.3	105.3	1.3%
	CENTRAL REGION PLANNING						
62	PLANNING	1516.4	1113.6	1046.1	963.8	-82.3	-7.9%
64	DATA AND WORD PROCESSING	8.5					
66	UNBUDGETED RSA'S	694.3					
	*** PROGRAM TOTAL ***	2219.2	1113.6	1046.1	963.8	-82.3	-7.9%
	CENTRAL REGION DESIGN & CONST.						
70	ENGINEERING MANAGEMENT	2166.2	5233.8	5140.4	4987.3	-153.1	-3.0%
72	DATA AND WORD PROCESSING	43.7					
74	CIP PROGRAM	20282.6	23139.0	23139.0	22850.2	-288.8	-1.2%

* * * * * DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	86 ACT	87 AUTH	87 REV	88 GOV	88 GOV - 87 REV COMPARISON	
	*** PROGRAM TOTAL ***	22492.5	28372.8	28279.4	27837.5	-441.9	-1.6%
	CENTRAL REGION MAINT. & OPER.						
.78	HIGHWAYS AND AVIATION	28462.6	26956.5	21193.8	16989.4	-4204.4	-19.8%
80	TRAFFIC SIGNAL MANAGEMENT	826.0	1126.0	1126.0	1126.0		
82	FACILITIES	3429.0	3395.7	2927.7	2901.2	-26.5	-0.9%
84	ADMINISTRATION	1283.6	1155.3	996.5	864.4	-132.1	-13.3%
	*** PROGRAM TOTAL ***	34001.2	32633.5	26244.0	21881.0	-4363.0	-16.6%
	ANCHORAGE INT AIRPORT						
88	FIELD MAINTENANCE	2661.3	3090.0	3090.0	3068.9	-21.1	-0.7%
90	BUILDING MAINTENANCE	3483.1	3647.8	3647.8	4140.4	492.6	13.5%
92	SECURITY	3879.5	4063.0	4063.0	4326.0	263.0	6.5%
94	CUSTODIAL	2797.6	3272.2	3272.2	3204.9	-67.3	-2.1%
96	EQUIPMENT MAINTENANCE	1275.8	1319.5	1319.5	1319.5		
98	ADMINISTRATION	3224.7	3661.7	3661.7	3989.6	327.9	9.0%
100	DATA AND WORD PROCESSING	1.5	60.8	60.8	60.8		
	*** PROGRAM TOTAL ***	17323.5	19115.0	19115.0	20110.1	995.1	5.7%
	NORTH REGION ADMIN. SERVICES						
104	INTERIOR DIS. ADMIN. SERVICES	2044.7	1672.8	1672.8	1540.4	-132.4	-7.9%
106	WESTERN DIS. ADMIN. SERVICES	344.5	337.0	188.1	164.1	-24.0	-12.8%
108	SOUTHCENTRAL DIS. ADMIN. SVCS	403.1	345.6	195.6	195.6		
110	DATA AND WORD PROCESSING	33.2	38.5	32.7	32.7		
112	INTERIOR DIS STATE EQUIP FLEET	6730.8	7008.6	7008.6	7008.6		
114	WESTERN STATE EQUIP. FLEET	871.3	935.2	935.2	963.2	28.0	3.0%
116	SC DISTRICT STATE EQUIP. FLEET	2141.6	2328.3	2328.3	2300.3	-28.0	-1.2%
118	AIRPORT LEASING/PROPERTY MGMT				337.8	337.8	100.0%
	*** PROGRAM TOTAL ***	12569.2	12666.0	12361.3	12542.7	181.4	1.5%
	NORTHERN REGION PLANNING						
122	PLANNING	1197.1	975.6	975.6	951.1	-24.5	-2.5%
124	UNBUDGETED RSA'S, ... R P.R. SUS	327.8					
	*** PROGRAM TOTAL ***	1524.9	975.6	975.6	951.1	-24.5	-2.5%
	NORTHERN REGION DESIGN & CONST						
128	ENGINEERING MANAGEMENT	2382.1	2967.9	2857.6	2848.3	-9.3	-0.3%
130	DATA AND WORD PROCESSING	105.5					
132	CIP PROGRAM	18732.8	21133.4	21133.4	21022.5	-110.9	-0.5%
	*** PROGRAM TOTAL ***	21220.4	24101.3	23991.0	23870.8	-120.2	-0.5%
	INTERIOR DISTRICT MAINT & OPER						
136	HIGHWAYS & AVIATION	23069.1	21060.5	16853.1	14947.3	-1905.8	-11.3%
138	FACILITIES	4709.4	4482.2	3877.4	3654.4	-223.0	-5.8%
140	ADMINISTRATION	1107.1	763.2	763.2	589.0	-174.2	-22.8%
	*** PROGRAM TOTAL ***	28885.6	26305.9	21493.7	19190.7	-2303.0	-10.7%
	WESTERN DISTRICT MAINT & OPER						
144	HIGHWAYS AND AVIATION	4122.0	3893.6	3007.6	2695.9	-311.7	-10.4%
146	FACILITIES	670.7	661.0	574.8	574.8		
148	ADMINISTRATION	306.7	159.5	135.6	135.6		
	*** PROGRAM TOTAL ***	5099.4	4714.1	3718.0	3406.3	-311.7	-8.4%
	SOUTHCENTRAL DISTRICT M & O						

* * * * * DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	86 ACT	87 AUTH	87 REV	88 GOV	88 GOV - COMPARISON	87 REV
152	HIGHWAYS AND AVIATION	6728.6	6413.1	5046.5	4048.4	-998.1	-19.8%
154	FACILITIES	1719.9	1930.2	1742.4	1692.0	-50.4	-2.9%
156	ADMINISTRATION	431.8	329.1	279.7	279.7		
	*** PROGRAM TOTAL ***	8880.3	8672.4	7068.6	6020.1	-1048.5	-14.8%
	FAIRBANKS INT AIRPORT						
160	FIELD MAINTENANCE	1306.4	1694.1	1694.1	1584.1	-110.0	-6.5%
162	BUILDING MAINTENANCE	1225.5	1432.3	1432.3	1382.3	-50.0	-3.5%
164	SECURITY	2736.8	2717.9	2717.9	3032.8	314.9	11.6%
166	CUSTODIAL	619.4	683.1	683.1	658.1	-25.0	-3.7%
168	ADMINISTRATION	1049.5	1367.8	1367.8	1417.8	50.0	3.7%
	*** PROGRAM TOTAL ***	6937.6	7895.2	7895.2	8075.1	179.9	2.3%
	S.E. REGION ADMIN. SERVICES						
172	ADMINISTRATIVE SERVICES	1313.0	1039.8	898.1	953.1	55.0	6.1%
174	DATA AND WORD PROCESSING	9.8					
176	STATE EQUIPMENT FLEET	1740.0	2015.4	2015.4	1660.6	-354.8	-17.6%
	*** PROGRAM TOTAL ***	3062.8	3055.2	2913.5	2613.7	-299.8	-10.3%
	SOUTHEAST REGION PLANNING						
180	PLANNING	547.5	376.8	345.3	365.3	20.0	5.8%
182	DATA AND WORD PROCESSING	10.6					
	*** PROGRAM TOTAL ***	558.1	376.8	345.3	365.3	20.0	5.8%
	SOUTHEAST REGION DES. & CONST.						
186	ENGINEERING MANAGEMENT	1246.5	1322.4	1245.9	4012.8	2766.9	222.1%
188	DATA AND WORD PROCESSING	63.6					
190	CIP PROGRAM	8087.0	8671.2	8671.2	5833.1	-2838.1	-32.7%
192	UNBUDGETED RSA'S SCH SUR/DSGN	2.2					
	*** PROGRAM TOTAL ***	9399.3	9993.6	9917.1	9845.9	-71.2	-0.7%
	SOUTHEAST REGION M & O						
196	HIGHWAYS & AVIATION	7996.5	7611.8	6305.6	4339.6	-1966.0	-31.2%
198	FACILITIES	4890.2	4608.7	3872.4	3726.9	-145.5	-3.8%
200	ADMINISTRATION	393.1	392.6	326.2	324.7	-1.5	-0.5%
	*** PROGRAM TOTAL ***	13279.8	12613.1	10504.2	8391.2	-2113.0	-20.1%
	MARINE ADMINISTRATION						
204	ADMINISTRATION	2405.4	2226.7	2226.7	2331.7	105.0	4.7%
206	DATA AND WORD PROCESSING	46.8					
	*** PROGRAM TOTAL ***	2452.2	2226.7	2226.7	2331.7	105.0	4.7%
	MARINE FACILITIES ENGINEERING						
210	MANAGEMENT	393.5	433.0	433.0	433.0		
212	CIP	970.8	1341.5	1341.5	1393.1	51.6	3.8%
	*** PROGRAM TOTAL ***	1364.3	1774.5	1774.5	1826.1	51.6	2.9%
	MARINE MARKETING AND SERVICES						
216	MARKETING MANAGEMENT	1410.2	1363.2	1363.2	2271.2	908.0	66.6%
218	SOUTHEAST SHORE FACILITIES	2389.8	2712.9	2712.9	2359.6	-353.3	-13.0%
220	SOUTHWEST SHORE FACILITIES	650.6	678.2	678.2	468.0	-210.2	-31.0%
222	DATA AND WORD PROCESSING	258.7					
	*** PROGRAM TOTAL ***	4709.3	4754.3	4754.3	5098.8	344.5	7.2%
	MARINE OPERATIONS						

* * * * * DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	86 ACT	87 AUTH	87 REV	88 GOV	88 GOV - 87 REV COMPARISON	
226	MANAGEMENT	820.2	1047.8	1047.8	1201.1	153.3	14.6%
228	SOUTHEAST VESSEL OPER/OVERHAUL	47337.4	44267.1	44267.1	36571.2	-7695.9	-17.4%
230	SOUTHWEST VESSEL OPER/OVERHAUL	9416.0	9315.6	9315.6	8041.6	-1274.0	-13.7%
	*** PROGRAM TOTAL ***	57573.6	54630.5	54630.5	45813.9	-8816.6	-16.1%
232	RETIREMENT INCENTIVE PROGRAM				1143.3	1143.3	100.0%
	*** TRANSPORTATION TOTAL ***	277940.7	279857.1	262229.9	246157.6	-16072.3	-6.1%
	***** TOTAL AGENCY EXPENDITURES	277940.7	279857.1	262229.9	246157.6	-16072.3	-6.1%
	***** AGENCY FUNDING						
	FED RCPTS	3058.4	3697.6	3697.6	3697.6		
	GEN FUND	176161.1	161446.1	143380.6	120972.0	-22408.6	-15.6%
	OTHER FUNDS	98721.2	114713.4	115151.7	121488.0	6336.3	5.5%

13	* * * * * DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES * * * * *				13
14	* * * * *			* * * * *	14
15	STATEWIDE PROGRAMS		15,751,200	7,747,700	8,003,500 15
16	OFFICE OF THE COMMISSIONER				16
17	COMMISSIONER'S OFFICE (6 POSITIONS)		504,100		17
18	STATEWIDE DEPUTY COMMISSIONER (4 POSITIONS)		207,900		18
19	EQUAL EMPLOYMENT AND CIVIL RIGHTS (12 POSITIONS)		681,700		19
20	INTERNATIONAL AIRPORT REVENUE FUND CONTROLLER'S OFFICE (4 POSITIONS)		228,500		20
21	INTERNAL REVIEW (14 POSITIONS)		842,500		21
22	STATEWIDE MANAGEMENT AND FINANCE				22
23	MANAGEMENT AND FINANCE (42 POSITIONS)		2,456,600		23
24	STATE EQUIPMENT FLEET (9 POSITIONS)		756,500		24
25	STATEWIDE INFORMATION SYSTEMS				25
26	INFORMATION SYSTEMS (31 POSITIONS)		1,911,800		26

1	DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES (CONT.)				1		
2			ALLOCATIONS	APPROPRIATION ITEMS	APPROPRIATION FUND SOURCES	2	
3					GENERAL FUND	OTHER FUNDS	3
4	STATEWIDE PLANS, PROGRAMS, AND BUDGET						4
5	PLANS, PROGRAMS AND BUDGET (31 POSITIONS)	1,673,100					5
6	STATEWIDE AVIATION PLANNING (4 POSITIONS)	245,800					6
7	STATEWIDE RESEARCH						7
8	STATEWIDE RESEARCH (12 POSITIONS)	746,200					8
9	STATEWIDE ENGINEERING AND OPERATIONS STANDARDS						9
10	ENGINEERING AND OPERATIONS STANDARDS (28 POSITIONS)	1,741,700					10
11	CIP PROGRAM (58 POSITIONS)	3,754,800					11
12	CENTRAL REGION PROGRAMS			58,809,600	24,627,300	34,182,300	12
13	CENTRAL REGION ADMINISTRATIVE SERVICES						13
14	ADMINISTRATIVE SERVICES (36 POSITIONS)	1,618,700					14
15	STATE EQUIPMENT FLEET (58 POSITIONS)	6,116,700					15
16	AIRPORT LEASING (7 POSITIONS)	391,900					16
17	CENTRAL REGION PLANNING						17
18	PLANNING (18 POSITIONS)	963,800					18
19	CENTRAL REGION DESIGN AND CONSTRUCTION						19
20	ENGINEERING MANAGEMENT (75 POSITIONS)	4,987,300					20
21	CIP PROGRAM (521 POSITIONS)	22,850,200					21
22	CENTRAL REGION MAINTENANCE AND OPERATIONS						22
23	HIGHWAYS AND AVIATION (241 POSITIONS)	16,989,400					23
24	TRAFFIC SIGNAL MANAGEMENT	1,126,000					24
25	FACILITIES (26 POSITIONS)	2,901,200					25
26	ADMINISTRATION (18 POSITIONS)	864,400					26
27	ANCHORAGE INTERNATIONAL AIRPORT			20,110,100		20,110,100	27

1	DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES (CONT.)				1
2			APPROPRIATION	APPROPRIATION	FUND SOURCES
3		ALLOCATIONS	ITEMS	GENERAL FUND	OTHER FUNDS
4	FIELD MAINTENANCE (50 POSITIONS)	3,068,900			
5	BUILDING MAINTENANCE (49 POSITIONS)	4,140,400			
6	SECURITY (79 POSITIONS)	4,326,000			
7	CUSTODIAL (69 POSITIONS)	3,204,900			
8	EQUIPMENT MAINTENANCE (15 POSITIONS)	1,319,500			
9	ADMINISTRATION (24 POSITIONS)	3,989,600			
10	DATA AND WORD PROCESSING	60,800			
11	NORTHERN REGION PROGRAMS		65,981,700	26,832,200	39,149,500
12	NORTHERN REGION ADMINISTRATIVE SERVICES				
13	INTERIOR DISTRICT ADMINISTRATIVE SERVICES (30 POSITIONS)	1,540,400			
14	WESTERN DISTRICT ADMINISTRATIVE SERVICES (3 POSITIONS)	164,100			
15	SOUTHCENTRAL DISTRICT ADMINISTRATIVE SERVICES (7 POSITIONS)	195,600			
16	DATA AND WORD PROCESSING	32,700			
17	INTERIOR DISTRICT STATE EQUIPMENT FLEET (56 POSITIONS)	7,008,600			
18	WESTERN DISTRICT STATE EQUIPMENT FLEET (9 POSITIONS)	963,200			
19	SOUTHCENTRAL DISTRICT STATE EQUIPMENT FLEET (21 POSITIONS)	2,300,300			
20	AIRPORT LEASING AND PROPERTY MANAGEMENT (5 POSITIONS)	337,800			
21	NORTHERN REGION PLANNING				
22	PLANNING (16 POSITIONS)	951,100			
23	NORTHERN REGION DESIGN AND CONSTRUCTION				
24	ENGINEERING MANAGEMENT (38 POSITIONS)	2,848,300			

1	DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES (CONT.)				1
2			APPROPRIATION	APPROPRIATION	FUND SOURCES
3		ALLOCATIONS	ITEMS	GENERAL FUND	OTHER FUNDS
4	CIP PROGRAM (484 POSITIONS)	21,022,500			
5	INTERIOR DISTRICT MAINTENANCE AND OPERATIONS				
6	HIGHWAYS AND AVIATION (174 POSITIONS)	14,947,300			
7	FACILITIES (25 POSITIONS)	3,654,400			
8	ADMINISTRATION (7 POSITIONS)	589,000			
9	WESTERN DISTRICT MAINTENANCE AND OPERATIONS				
10	HIGHWAYS AND AVIATION (30 POSITIONS)	2,695,900			
11	FACILITIES (5 POSITIONS)	574,800			
12	ADMINISTRATION (2 POSITIONS)	135,600			
13	SOUTHCENTRAL DISTRICT MAINTENANCE AND OPERATION				
14	HIGHWAYS AND AVIATION (57 POSITIONS)	4,048,400			
15	FACILITIES (16 POSITIONS)	1,692,000			
16	ADMINISTRATION (6 POSITIONS)	279,700			
17	FAIRBANKS INTERNATIONAL AIRPORT		8,075,100		8,075,100
18	FIELD MAINTENANCE (17 POSITIONS)	1,584,100			
19	BUILDING MAINTENANCE (8 POSITIONS)	1,382,300			
20	SECURITY (43 POSITIONS)	3,032,800			
21	CUSTODIAL (13 POSITIONS)	658,100			
22	ADMINISTRATION (12 POSITIONS)	1,417,800			
23	SOUTHEAST REGION PROGRAMS		21,216,100	10,228,300	10,987,300
24	SOUTHEAST REGION ADMINISTRATIVE SERVICES				
25	ADMINISTRATIVE SERVICES (22 POSITIONS)	953,100			
26	STATE EQUIPMENT FLEET (15 POSITIONS)	1,660,600			

1	DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES (CONT.)				1
2			ALLOCATION	APPROPRIATION	APPROPRIATION FUND SOURCES
3			ITEMS	GENERAL FUND	OTHER FUNDS
4	SOUTHEAST REGION PLANNING				4
5	PLANNING (5 POSITIONS)	365,300			5
6	SOUTHEAST REGION DESIGN AND CONSTRUCTION				6
7	ENGINEERING MANAGEMENT (67 POSITIONS)	4,012,800			7
8	CIP PROGRAM (118 POSITIONS)	5,833,100			8
9	SOUTHEAST REGION MAINTENANCE AND OPERATION				9
10	HIGHWAYS AND AVIATION (55 POSITIONS)	4,339,600			10
11	FACILITIES (26 POSITIONS)	3,726,900			11
12	ADMINISTRATION (6 POSITIONS)	324,700			12
13	ALASKA MARINE HIGHWAY SYSTEM		55,070,500	51,026,800	4,043,700
14	MARINE ADMINISTRATION				14
15	ADMINISTRATION (46 POSITIONS)	2,331,700			15
16	MARINE FACILITIES ENGINEERING				16
17	MANAGEMENT (5 POSITIONS)	433,000			17
18	CIP PROGRAM (22 POSITIONS)	1,393,100			18
19	MARINE MARKETING AND SERVICES				19
20	MARKETING MANAGEMENT (32 POSITIONS)	2,271,200			20
21	SOUTHEAST SHORE FACILITIES (38 POSITIONS)	2,359,600			21
22	SOUTHWEST SHORE FACILITIES (5 POSITIONS)	468,000			22
23	MARINE OPERATIONS				23
24	MANAGEMENT (16 POSITIONS)	1,201,100			24
25	SOUTHEAST VESSEL OPERATIONS AND OVERHAUL (627 POSITIONS)	36,571,200			25
26	SOUTHWEST VESSEL OPERATIONS AND OVERHAUL (98 POSITIONS)	8,041,600			26

January 27, 1987

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
 OPERATING BUDGET COMPARISON
 AND NARRATIVE OVERVIEW
 FY86 AUTHORIZED - FY88 GOVERNOR'S REQUEST
 (in millions)

Source of Funding	FY86 Authorized	FY87 Authorized	FY87 Revised	FY88 Governor's Request*	\$ Change FY87 Rev. to FY88
Gen. Fund	\$177.8	\$161.4	\$143.4	\$124.1	(\$19.3)
Other Funds	116.2	118.5	118.8	122.1	3.3
Dept. Totals	\$294.0	\$279.9	\$262.2	\$246.2	<\$16.0>
% G.F. Change From Previous Year	<0.4>%	<9.2>%	<11.2>%	<13.5>%	

*Excludes \$5.2 million switch to user fees for Dalton Highway toll charges.

General fund decrements totalling \$21.1 million and one general fund increment for \$1.8 million for Marine Highways Risk Management increases have been accepted by the Governor. This is a net reduction of \$19.3 million for the Department of Transportation and Public Facilities (DOT&PF). This yields a 13.5% departmental reduction from the FY87 Revised general fund budget. Please note this includes a net reduction of approximately 14% for the Alaska Marine Highway System (AMHS) and a 13.1% cut for all remaining DOT&PF general funds.

In addition, it is proposed that \$5.2 million be changed from general funds to user fees to reflect operation of the Dalton Highway as a toll road. This would bring the general fund (GF) reduction to \$24.5 million, or 17.1% of the Department's FY87 Revised GF budget. However, since this proposal would require separate legislative action this funding change is being considered as a part of the proposal for new legislation rather than as a part of the Department's budget.

Excluding the AMHS, and the Dalton Toll proposal, a general fund reduction of 13.1% and \$11.0 million from the FY87 Revised GF level of \$84 million is proposed. This 13.1% reduction in FY88

would mean that units of the department other than AHMS have been reduced by 36.1% since the FY86 authorized GF budget.

A net reduction for the general fund portion must be viewed in light of the overall impact to revenue from cuts to the AMHS. The AMHS has a FY'87 general fund revised budget of approximately \$60 million and a subsidy level of about \$30 million. We have identified the impacts from reducing the subsidy level by about \$6 million, which results in a total reduction to the AMHS general fund budget of about \$8.4 million due to revenue cuts.

MAJOR HIGHLIGHTS

The following depicts the major impacts from adoption of these proposals:

- (1) Elimination of all state maintenance on nearly 1,600 miles of roads currently on the state maintenance system that are not considered the highest priority routes, or do not require minimal maintenance efforts due to investment of federal funds;
- (2) Elimination of all maintenance except for minimal safety repairs and physical highway protection (which adds a hidden cost for increased legal liability) for approximately 800 miles of highways that are not priority routes, but have federal investment requiring continued state efforts to protect this investment;
- (3) Reduction of maintenance funding by another 8% on the remaining 2900 miles of roads, which means a total reduction well in excess of 25% for maintenance and operation of these facilities in less than 18 months;
- (4) Elimination or reduction of airport maintenance by over 7%, with particular emphasis on daytime operations only and major reduction of winter maintenance at certain airports statewide;
- (5) Substantial reductions in Marine Highway service including unmanned layup of 6 vessels for a total of 29 months. This will affect at least 230 crew members. This leaves the Southeast system with no change to summer service, but only one mainline vessel and one feeder vessel for the other 8 months of the year, and the Southwest system with single vessel service for 6 months and no service for 2 months during the winter.
- (6) Institution of a toll or user fee charge of approximately \$500 per trip, per 18-wheeler for commercial use of the James Dalton Highway north of the Yukon River, which

may lead to eventual closure due to inability to recover adequate fees;

- (7) Elimination of maintenance for campgrounds, rest areas, turnouts and waysides, land fills, and litter pickup for state highways to preserve funds for essential M&O functions; and
- (8) Reductions in facilities maintenance including janitorial services for state buildings from 5 to 3 days per week, grounds-keeping, and clearing of snow and ice from sidewalks and parking areas.

HIGHWAY MAINTENANCE & OPERATIONS

The impact to highway M&O is particularly troublesome when viewed in a longer term context. Since 1980, DOT&PF's responsibilities have grown over 10%, while available real dollars have decreased by nearly 30% under the FY'87 revised budget.

To gain additional perspective, consider the likely effects of the FY'87 reductions already taken:

- (1) Little preventative maintenance anywhere on the system, which means little highway crack sealing, patching or resurfacing.
- (2) Traffic services such as snow plowing, striping, and pothole patching can only be performed on a priority basis, and roads to recreational areas and low traffic rural and suburban areas can be plowed only if time permits; and
- (3) Routine summer maintenance will have to be eliminated or drastically curtailed if extraordinary winter snow and ice conditions occur.

Following the M&O cuts in August 1986, it is no longer possible to cut further on the basis of a straight percentage decrease across the entire system. Instead, it has been necessary to structure further reductions on a programmatic basis by classifying the highway system as follows:

- (1) *Park Highway* Category I: Priority routes that provide the intrastate connecting system between the population and economic centers, airports, and major harbors, thereby covering Alaska's fundamental transportation links.
- (2) Category II: Routes where the state has invested sufficient federal funds to contractually bind us to provide a minimum level of maintenance to realize anticipated service life of the constructed improvements.

- (3) Category III: All other routes that the state currently has on the state maintenance system.

We have further differentiated the importance of state efforts for maintenance into eight groups. These are in increasing order of importance (1) snow and ice control on Category III roads within organized governmental units; (2) all activities on Category III roads within organized governmental units; (3) snow and ice control on Category II routes within organized governmental units; (4) snow and ice control for Category III routes outside governmental units; (5) snow and ice control on Category II roads outside governmental units; (6) all activities on Category III roads outside governmental units; (7) maintenance at 30% of historical levels for Category II roads within governmental units; and (8) maintenance at 30% of historical levels on Category II routes outside governmental units.

The basic assumption is that a currently organized governmental unit would be better able, and probably more likely, to assume maintenance responsibilities for routes within their boundaries than people outside of a governmental unit. Please note this may require legislative action to grant road powers in certain cases. This also recognizes that for many routes in rural areas there is not an identifiable user group to assume this responsibility. We have also assumed that while snow and ice control is important, it is less critical in the long run than basic life/safety and structural maintenance efforts, partially because of our agreement with the Federal Highway Administration (FHWA) to prevent highway deterioration.

While we tried to structure the decrements in increasing order of importance, and with as much individual selection as possible to allow decisions other than simply "take it or leave it," it is important to underscore the radical and severe nature of these proposals. First, these cuts have been prepared on top of other drastic cuts that we're currently managing, with cost data gaps regarding current performance. Second, there has been no public involvement to review and legitimize the methodology. Third, there may be administrative code and federal legal constraints hindering or preventing implementation of some of these proposals. Finally, there is probably a hidden cost of increased legal liability from implementing these proposals, which needs to be scrutinized.

AVIATION/BUILDING MAINTENANCE & OPERATIONS

The FY'87 aviation cuts have also severely curtailed preventative maintenance work, such as runway crack sealing and patching. Snow and ice removal may not always occur, depending on available manpower. Certified airports may not be open for all scheduled flights if safe operational conditions cannot be provided, or if overtime is not available to provide required crash/fire/rescue (CFR) services. Additional curtailment of routine summer maintenance efforts may also occur.

The proposed FY'88 decrements reduce these efforts further, and force more service elimination. Elimination of winter maintenance may force operators to perform their own snow control or to switch to a different airport. Reductions or elimination of CFR activities may restrict the types of aircraft now using certain runways. Specific impacts include the winter closure of Nome's North/South runway, and service reductions or eliminations at Barrow, Umiat, Northway, Bettles, Tanana, Unalakleet, Talkeetna, and Kotzebue. If significant cuts are pursued in the aviation M&O area, more work is needed to ensure an equitable level of service reductions statewide.

FY'87 reductions for building M&O have meant that efforts on heating and ventilation components have been limited to emergency repairs. Considerable deferred maintenance continues to accrue. Any FY'88 cuts would further exacerbate these problems.

ALASKA MARINE HIGHWAY SYSTEM

To date the AMHS has not incurred any substantial reductions in available general funds, although there have been service reductions to offset cost increases. Since the AMHS's portion of DOT&PF overall general fund budget is about 40%, it has become necessary to scrutinize all components carefully and to propose ways to achieve significant general fund reductions to accommodate your request.

Since the AMHS is a transportation entity that generates revenue, the true cost to the state is not the total general fund appropriation, but is the net general fund cost or subsidy. Accordingly, we have proposed three sets of decrements to reduce the net subsidy by about \$6 million for FY'88. Although we have not structured our proposal in this fashion, we believe serious consideration should be given to changing the current budget method to provide program receipt authority to expend generated revenues, along with the general fund subsidy needed to achieve the selected service level. This separation in funding would make it clearer to all concerned there is a revenue aspect to the AMHS.

The following depicts the specific impacts from reducing the subsidy level by \$6 million:

- (1) Reduce M/V MALASPINA service by four months. Reduce M/V Taku service by six months. Both vessels would be placed in unmanned layup. In combination with the already scheduled layup of the M/V COLUMBIA for six months and the overhaul periods for every ship, this will leave only one mainline vessel in service from Seattle or Prince Rupert to Skagway for eight months of the year. This will impact approximately 164 crew members during this period.

- (2) Reduce M/V AURORA service by four months resulting in single feeder vessel service in Southeast for eight months of the year versus the current four month period. The M/V CHILKAT would increase service by four months to supplement service between Ketchikan and Prince of Wales Island.
- (3) Reduce M/V BARTLETT service by six months. The M/V TUSTUMENA will provide service for the entire Southwest system, resulting in general service reductions in the winter, particularly between Valdez and Cordova. There would be no service for two months during the winter.

There are several key assumptions under each scenario. The basic intent is to maximize service for Alaskans, at the expense of tourist business if necessary. Although no service or cost saving assumptions have been included for eliminating Seattle service since current data is inconclusive, we intend to continue reviewing this option as a means to improve service for Alaskans without increasing the subsidy. Another key assumption is that it would be more cost efficient to maintain the same level of summer service for the entire 1987 summer before instituting reductions. This is because of (1) the FY'87 budget authorizes initiation of this level; (2) these are the high revenue months; (3) we have already published our schedule and are accepting reservations; and (4) it would minimize the impact from implementing cuts immediately. If earlier implementation of service cuts is desired, we can analyze this further.

We have not made any assumptions regarding possible savings to minimize service cuts by fare increases. Further work is needed to ascertain what service level savings can be obtained without increasing the subsidy, although we believe there are some possibilities here. Finally, no assumptions have been made about further savings from negotiating wage and benefit concessions or

crew size reductions, or through major streamlining of the administrative side. Please also note there is an increment to fund additional risk management expenses not covered in the current base budget, which if not funded will cause a further reduction in service.

It is important to underscore that the proposed service cuts are not "set in concrete," but merely a general sense of what service levels would be by reducing the subsidy level by \$6 million. On the other hand, our current review of available data suggests that changes fairly close to these would be needed to obtain the targeted level of savings. The AMHS is a difficult entity to analyze correctly to achieve the savings we believe can be made, while preserving essential service levels. Any decision to achieve major subsidy reductions will require more work together to ensure we have a rational proposal.

JAMES DALTON HIGHWAY

While the Dalton Highway remains an important transportation facility, we believe it is reasonable to consider covering all or some of the high annual M&O costs through a user fee or toll charge. This is not a new issue, as evidenced by the state's success in including the special provision in Sec. 1113 of the Alaska National Interest Lands Conservation Act, which allows the charging of tolls without facing an obligation to repay federal-aid highway money used to construct the road.

The primary user and beneficiary from continued operation are North Slope oil producers and Aleyska. While it can be argued that we'd be biting the hand that feeds us, and clearly there would be some reduction in tax receipts because of the additional costs, we know of no covenant or agreement requiring continuation of this support at our expense. The Department of Law has advised us that there may be some changes to state statutes needed prior to initiating this proposal.

The per mile M&O cost for the Dalton is higher by at least 70% than for any other major rural transportation route in Interior District. Further, it is worth noting that since state assumption of this responsibility in 1978, we have spent about \$50 million in state capital dollars to support this function. While it is conceivable that the net effect over time might be closure of the road because aviation and/or marine modes are selected as the more economical means for support of North Slope oil activities, we believe these are exactly the type of hard choices Alaskans are facing under declining revenues.

Outside of the hue and cry from the oil industry, the other major group negatively impacted would be the trucking industry, particularly owner-operators. We are sympathetic to this concern in light of currently depressed conditions, but ultimately the most cost efficient means of transporting goods must be used to maintain economic stability and growth in Alaska. One answer, which incidentally might also help address the general complaints about "unfair" competition from the Alaska Railroad Corporation (ARRC), would be an interim state assisted training program to relocate trucking industry people into other job opportunities. Another entity that would be negatively impacted if the Dalton closed would be the ARRC since they now haul a fair portion of this business to Fairbanks. It might be necessary to contact them to obtain an assessment of this impact.

A toll to recover the full charge of the department's maintenance and operations costs for the Dalton Highway would mean a charge of about \$500 per trip for an 18-wheeler. Our costs are estimated to be \$5.2 million annually, approximately \$4.3 million in Interior M & O's Highway and Aviation component and \$.9 million in the Facilities component. In addition, we have requested an increment for \$.4 million in user fees to cover the costs associated with collection of the toll charges (.3 million would be the

annual cost, plus a one time cost of moving and modifying the checkpoint facility). The proposed toll does not include the capital costs for resurfacing or major maintenance of this road.

ADMINISTRATION/PLANNING/DESIGN & CONSTRUCTION

During prior reduction reviews, considerable general funds reductions were obtained in these areas. A total of 30.5% of general funds have been cut in these areas between the FY'86 authorized and FY'87 revised budgets. For example, a considerable portion of the reductions made to achieve the FY'87 revised budget were in these areas, allowing AMHS and M&O cuts to be considerably less than otherwise would have been the case.

Our decrements do include some additional general fund cuts in the planning areas. Otherwise, we are not proposing any further cuts at this time. It appears that sizeable "fat" trimming has already occurred. There is also a potential problem of making reductions to the point that we face problems with the FHWA and Federal Aviation Administration as to whether we are maintaining sufficient state funded management and administration to continue qualifying for federal highway and aviation money. Finally, we do not want to propose any cuts in the administrative or accounting side at least until we have a better handle on the magnitude of those problems, and the level of resources needed to fix them.

One change in the transfer area warrants mention. We are proposing to raise the State Equipment Fleet (SEF) fixed fee rate from 51% of the budgeted FY'87 rate back to 72% of that rate. This rate was dropped as a one-time cost savings measure for FY'87, with an understanding that the rate would be re-instated to keep the Highway Working Capital Fund fiscally sound over the long term. It is our intention to maintain the 72% rate level for at least the next two years, and then reassess what, if any, additional adjustments are needed, particularly in light of possible reduced need for equipment due to other budget reductions. We project this increase will allow us to meet vehicle replacement demand, while maintaining a positive cash flow. This means increased fee costs of about \$1.8 million for DOT&PF, which represents about 85% of the SEF's business.

REORGANIZATION SAVINGS

The attached budget submission includes some adjustments for organizational changes that have already been made, including the deletion of a net 5 PX positions based on already taken personnel actions. While further general fund savings are anticipated through additional reorganization and streamlining of current operations, we are not prepared to present any further proposals at this time.

The Commissioner wants to assess the overall operations for a period of time to ensure we don't destroy valuable portions of the organization that are working well. It may be that some of these savings won't materialize until mid to late FY'88 or at the start of FY'89. Accordingly, we respectfully request an understanding that any savings in these areas will be given priority consideration for use to restore reduced or deferred DOT&PF M&O activity.

REVENUE GENERATION

One way to offset some of the impact of both the proposed FY'88 and actual FY'87 reductions is to generate more revenue through our proposal to increase the motor fuel tax from 8¢ to 16¢ per gallon. We estimate this will generate approximately \$20 million in additional revenue. We recommend using this increase to help local governments and communities to pay for the increased M&O costs for those roads and highways removed from the state maintenance system. There may be other ways to generate further receipts, such as airport landing and tie-down fees, to offset other reductions. We will continue to review these possibilities.

SUMMARY

DOT&PF provides the state with numerous, essential transportation services. There is no doubt that transportation serves a critical economic role in a state such as ours. We fear pursuing major cuts, particularly in highway and aviation M&O, will only exacerbate our current problems.

Accordingly, until we can develop some of these proposals more fully, including greater acceptance by local communities of many of these responsibilities, it is imperative that we carefully analyze adoption of the large reductions we have identified, and if possible, find other revenues to avoid drastic reductions.

OVERVIEW OF QUESTIONS ASKED BY HOUSE FINANCE COMMITTEE MEMBERS DURING A PRESENTATION BY THE DEPARTMENT OF TRANSPORTATION.

Tuesday, January 26 1987, Commissioner Gutierrez and staff for the Department of Transportation gave a budget presentation and overview to the House Finance Committee.

Attached please find the Department's proposed FY 88 budget from the Governor's office and an overview of the proposed budget changes and cuts.

Much of the information presented at this meeting is in the attached DOT overview report. Rather than be repetitive I felt it may be helpful to update you on some of the questions raised by House Finance Committee members at this meeting.

1. Why have such substantial cuts been made in the areas of M & O and to the Alaska Marine Highway System?

In 1985, major cuts were made in the areas such as management and design and construction. No cuts have been made in the AMHS and very minimal cuts, have been made in M & O during the previous few years budget cuts. Another point to consider is that when looking at the cuts made to AMHS these cuts reflect cuts from the 1987 "actual" figure and not the revised figures - therefore, the cut to AMHS is actually less than in other areas.

2. How did the department go about categorizing Class 1, 11 and 111 roads - were they categorized on a user basis?

No. The department felt that if roads were categorized on a user basis, heavily populated areas would have a great deal more Class 1 roads than rural areas. Several factors were taken into consideration including whether the road provides freight transportation needs (Valdez to Fairbanks), whether the road provides the only access to the area, how many people live in the area and numerous other factors were also taken into consideration. The department feels that this area is one that will need further consideration and will ask for community input and advice from local area DOT personnel to help prioritize the roads.

3. With the Capital Projects Cleanup, why can't we just get a computer print out of the total number of projects currently authorized? Then, compile a list of those projects that are physically under construction, complete these projects and start over again with all other projects so that are books and information would be correct and so that the problems with the Federal Government Highway on reimbursement of Federal dollars could be overcome? How long would it take to get this list?

*3 disputes
titles will
change*

*Alaska Marine
Highway*

It would be possible to compile a list and have it available in a very short time, 3-5 days. The department feels this would be very inaccurate as the problem is with billings not being made to projects. Therefore, it would take some time to figure out what monies had not been billed to projects and get the paper path moving along. Also, some projects are in the planning and design phase, some are under construction, some have been completed and require outstanding bills to be logged in before the project can be closed out. Because of the methods used for billing to the projects and the way in which project tracking has been done, the department now finds that there are currently thousands of projects that are in question.

Because of the poor accounting system information requested on projects before 1985 is difficult to provide accurately. The older the project, the harder it becomes to provide accurate information.

As of 6/30/85, the capital projects clean up list identified each project and the status of the project. When the department changed over to the new state accounting system this information was not recorded. The department is currently working on correcting the problems that exist.

Mr. Bob Poe has been hired to head up this project and the department is currently working on:

1. Correcting the Federal billing system problem. At the present time all bills submitted for Federal reimbursement receive a manual audit from the Feds before reimbursement is made. This is partly due to previous incorrect billings and also an inefficient system for compiling the bills. The department is in the process of requesting proposals for putting in place a system that will adequately perform all FHWA billings. The contract should be awarded within 45 days and the system should be in place in 6 months.
2. The department is also bringing on board two C.P.A.'s to help set up and administer the new accounting system.
4. Is there statutory language changes required to turn the Dalton Highway into a toll road? Is there anything that prevents turning a road that received considerable Federal funds into a toll road?

Based on discussions with the Department of law, DOT believes it advisable to amend AS 19.40 to make it clear this arrangement would be legal, therefore yes, an amendment to the AS 19.40 would be required. The State of Alaska has a specific exemption from the requirements under Section 11.13 of the lands bill and relieves the state of any requirement to repay Federal monies used to build this road.

5. On the three tier maintenance program plan, is there some kind of legislation needed to establish a tier reduction program rather than the usual pro-rated reductions usually implemented?

The Department would like to investigate this further, As Mr. Hickey sees it now the statutes provide the Commissioner with a great deal of latitude to make these decisions. The department has administrative procedures in place as well as regulations which require the department to receive public input and recommendations however, at the present time it does not appear that anything legislative would be required.

This will need to be looked into further.

6. You refer to an increase in legal liability because of the reduced maintenance, could you explain further?

The Commissioner stated the department will have to state the level of service it will provide. He feels that if in fact, a road is open, there is a responsibility to provide a minimum level of maintenance on the road. The Commissioner is not sure what this level is and he feels the department will need to consult with the Attorney General's office for legal direction. However, he has raised the question and feels it must be addressed.

7. How will user fees on the Dalton Highway affect the lift axle? If the axle is on the truck would there be a toll for this axle? How is the department addressing the overall lift axle question?

In terms of the toll charge, if the axle were down and used for weight carrying purposes, it would be charged at the same level - \$100/axle.

As far as the question on regulations, the department has suspended implementation of the regulation to give the department and the legislature a chance to look at some of the issues. There is considerable controversy about some of the issues and, frankly, with the rapid change in economic conditions this issue may require rethinking on how to phase in a proposal. The department still has some basic concerns. There are a lot of concerns about the safety of using the lift axle, the test performed by the department would suggest they are a problem and many drivers have stated to the department in hearings that they are a problem.

Enforcement is a problem because they are used for weight purposes at the scale houses and then in order to avoid wear and tear they are not used. The department is looking at a new proposal that would allow for lift axles to continue under certain conditions such as Washington has just done. Steerable as opposed to fixed Certification from the manufacturer that they are properly gauged to carry the weight they are carrying Controls on the outside only The department is still looking into this but feels this type of proposal may be acceptable.

8. Do you envision the \$20 million revenue from doubling the motor fuel tax coming back to municipal governments through some sort of statutory shared taxes or how do you envision this? How does the \$20 million relate to the actual cost of maintaining roads today?

The administration is going to propose legislation to provide for the pass back of this money. The total M & O cut talked about in Category 1 11 and 111 is about \$10 million. With the cuts taken in the past plus this years \$10 million total cuts in the past few years in M & O will total about \$20 million. This therefore should be sufficient to offset these cuts.

9. Who would have to pay for use of the toll road?

The proposal is a new proposal and has a charge for light vehicles, this charge would be less but there would be a charge for any user of the road on a structured basis.

10. Where do you place schools in the three category system?

It would be categorized depending on whether the school is on a route. If the school is on a category 111 route we would be looking for the schools to take on the responsibility.

DOT may have to reconsider this categorizing and receive additional input.

Concerns were expressed by Senator Fiscner about the roads to schools not being open and yet the constitutional requirement to provide education.

DOT will have to consider this.

11. Why is there an increase in the total dollars for the state equipment fleet, state planning and research and yet dramatic cuts are shown for M & O. What are the philosophical goals of the department?

The administrative sections, planning, research and administration is roughly 12% of the overall general fund dollars of the department budget. In FY 87 revised a large cut was made in these areas and none in AMHS and very little in O & M. The department would be willing to look at the budget more closely as the figures shown are not set. Until the department has a better feel for things such as the Capital Project cleanup they did not want to get rid of any available personnel.

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HOUSE/SENATE FINANCE COMMITTEE

BRIEFING PAPER

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

CAPITAL PROJECT CLEANUP

Excerpts from: Cowper Budget Transition Report - 12/15/86

Capital Project Clean-Up:

Description: At the present time ADOT&PF does not know the current financial status of a large number of capital projects being developed within the Department. It is likely that the appropriations for some of these projects have been over-spent or over-obligated.

Discussion: The current status of ADOT&PF CIP projects is due to insufficient accounting controls within past and present accounting systems. The previous statewide accounting system, PBA did not provide enough cost centers (collocation codes) to control the large number of capital projects which had been assigned to the Department. The problem was further compounded by pressure on the Department and project engineers to get the projects out on the "street", and a perception by state project managers that their first priority was to get the project built and secondly to build the project within budget. In fact the legislature has

historically appropriated up to 175% of the available Federal funds for a given fiscal year in capital projects to be built by ADOT&PF.

Project managers did not rely on the internal ADOT&PF system, FMS, because the quality of data provided by the system was not considered accurate for a variety of reasons. Unfortunately when the new statewide accounting system came on line, AKSAS, the same cost center problems were carried over to the new system even though this system was quite capable of handling most of ADOT&PF's needs for project financial control.

In 1983 the Sheffield Administration began to give serious attention to this problem. Numerous audits were performed to determine the actual status of the ADOT&PF CIP projects and by June 30, 1985 a fairly solid picture of the status of the projects was developed at a cost of over 1 million dollars. However nothing was done at that time to actually correct the problem. Since then the problem has grown worse due to the accounting control problems which were carried over to AKSAS. The problem still exists and will continue to represent an unknown exposure in terms of over-spent appropriations and missed Federal billings until the problem is finally cleaned up. In addition, some large amounts of general fund money may currently be committed to Federal match projects which have little chance of going into construction in the near term (within the next three years).

A further complication to the above problem is a recent decision by the FHWA not to accept any Federal billings produced by ADOT&PF's FMS system. The FHWA has determined that the FMS system is unreliable and is capable of producing and successfully passing one-sided accounting entries.

Recommendation: ADOT&PF should begin immediately to resolve the problems currently experienced with capital project balance information. Without this immediate action, ADOT&PF project managers will continue to doubt the validity of project data which they receive from the automated systems tracking their respective projects. The Department will also continue to be unable to determine whether project work is proceeding within the law and in an efficient manner. Finally, this clean-up effort may assist in identifying and receiving additional Federal dollars and in freeing up possible general fund dollars which are currently committed to projects which will not be developed in the near future.

Federal Billing System:

Description: As a result of problems experienced with the ADOT&PF FMS system the Federal Highway Administration, effective 11/28/86, suspended reimbursement of all future ADOT&PF Current Billing claims until the Department can provide assurances that project claims for reimbursement are accurate. Obviously until

this problem is cleared up the State will not be able to receive federal funds owed to it for work which could not be billed as a result of this action.

Discussion: Over the last five years the ADOT&PF has spent millions to develop financial information systems for its specific needs. Almost without exception these systems have either not been completed or when they were brought up, were not used. Based on a previous design of a financial information system (FIS) by Price Waterhouse, the Department is now considering the development of this system to address the federal billing problem and the project control issues that presently exist within ADOT&PF.

The ADOT&PF is strongly considering developing the system in conjunction with the Department of Administration so that the system can address the federal billing concerns of other departments as well as those of ADOT&PF. The current thinking on the system is that it would be developed as an integral part of the AKSAS system as opposed to a stand alone system that receives and sends data to AKSAS.

The positive points regarding developing this system as part of AKSAS is that it would be available to all other agencies who wish to perform federal billing automatically. However, from the ADOT&PF point of view there are a great many negatives. Developing a federal billing system within AKSAS is considerably more

complicated and will require some significant redesign to address the system requirements of the other agencies all of which are costly in terms of time and money. Developing FIS as part of AKSAS will also make the FIS system less responsive to changes in the way ADOT&PF is required to perform federal billing in the future.

The positive points with regard to developing FIS outside of AKSAS are that the system can be developed more quickly, for less cost, without redesign and will be more responsive to ADCT&PF's specific requirements as they may change in the future. In addition, ADOT&PF has had real success in developing systems which accurately and effectively interface with AKSAS. The negative to developing the FIS system outside of AKSAS is that it may not take the needs of all other agencies into consideration and may not be available to all other agencies.

Recommendation: The ADOT&PF should begin developing the FIS system as soon as possible. An RFP should be issued which solicits creative input from the vendor community on how to quickly, effectively and in a cost efficient manner address the Department's federal billing requirements. This RFP should not be issued with preconceived notions on the part of Department personnel on a specific solution or vendor (Price Waterhouse has received over 16 million in sole-source system development contracts in the State over the last 5 years with no involvement from their Anchorage office). The ADOT&PF should oversee the

issuance of this RFP and should contract to meet the specific federal billing needs of ADOT&PF. In the mean time, ADOT&PF should develop a manual system to run parallel to the development of FIS in order to perform continued federal billing. This manual process will also need to exist to support the Capital Project Cleanup effort.

Agency "Corporate Culture":

Description: ADOT&PF was in existence within Alaska before Statehood. As a result, this department has one of the strongest "corporate cultures" of any organization within the State Bureaucracy. Changing this culture in order to help it deal with the future changes will be key to successfully trimming down the cost of ADOT&PF and helping it run more efficiently.

Discussion: ADOT&PF engineers not only have a strong loyalty to ADOT&PF but also to their profession as engineers. When you combine this professional perspective with the previous flow of funds through ADOT&PF, it is not surprising to learn that many engineers in ADOT&PF do not consider it their responsibility to closely monitor the costs of a project as long as the project is well designed and constructed. This may also be fueled by the past pressure placed on ADOT&PF to get their appropriated capital projects out on the "street" as fast as possible. Under these types of pressures it may seem reasonable for a project manager to focus on building a project quickly and well regardless of the cost.

Project managers with ADOT&PF have complained with some real justification that the project management tools available to them to control project costs have been, at best, unreliable. The previous systems (PBA and FMS), which they have had at their disposal, provided untimely and often erroneous data.

Recommendation: Top level support from the commissioner and the Governor will be necessary to continually encourage ADOT&PF project managers to get control of project costs. The Capital Project Cleanup effort must be completed quickly so that the data the project managers currently receive from AKSAS is accurate, timely and reliable. Appropriate project management tools must also be made available to project managers to help them in getting control of project costs and maintaining control. Getting control of project budgets and expenditures should also help ADOT&PF step up its efforts to generate timely billings to the Federal government. One project management oriented system which the Department has recently brought into place in the Southeastern Region is the Project Cost Information System (PCIS) which should be examined more closely to see if it can be useful agency-wide.

COMMITTEE

MEETING:

WORK SESSION

AK. MARINE

HIGHWAY (FILE 1)

1-29-87



Official Business

Alaska State Legislature

House of Representatives

House Transportation Committee

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Juneau, Alaska
99811

Phone:
(907) 465-4859

People Invited to House Trans. Work Session
on Marine Highway 1/29/88

1. Bill Cullinane--Business Owner/People's Wharf Assn.
2. T. Terry Harvey--Business Owner/People's Wharf Assn.
3. J. R. McDonald--Shearson Lehman
4. Fran Rose--Business Owner & member Juneau Chamber of Commerce
5. Members--Downtown Business Association, Juneau
6. Commissioner Hickey--DOT
7. Director Davidson--Marine Highway
8. Rep. Goll
9. Jim Ayers--CBJ Lobbyist
10. Rod Mourant--Juneau Downtown Business Assn. Board of Directors
11. Jim Kohler--Juneau Economic Development Council
12. Rudy & Judy Ripley--Business Owners & member Juneau Chamber
13. Senator Duncan
14. Representatives from the Port of Bellingham



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Juneau, Alaska
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Phone:
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Publications for House Transportation Committee
January 29, 1988 1:30 p.m.

"Alaska Marine Highway System, The Community Perspective"
By Southeast Conference

"Southeast Alaska Marketing Council, 1987-88 Program
Evaluation and Recommendations" By Date Decisions
Group, Inc.

"High-Speed Surface Craft"

"Southeast Alaska Transportation Plan, Evaluation of
Corridor Alternatives, Juneau Access (Lynn/Taku
Corridors)" By Acres International Corporation for
Alaska Department of Transportation & Public Facilities

"Southeast Alaska Transportation Plan" By Alaska Department
of Transportation and Public Facilities

"Southeast Alaska Transportation Plan, Evaluation of Surface
System Alternatives" Prepared by Acres International
Corporation for Alaska Department of Transportation and
Public Facilities

"The Alaska Marine Highway - Southeast System, A Holistic
Concept" By Representative Bill Hudson

The Bellingham Report.

THE ALASKA MARINE HIGHWAY - SOUTHEAST SYSTEM

A HOLISTIC CONCEPT
BY

REPRESENTATIVE BILL HUDSON

December 10, 1987

Executive Summary

INTRODUCTION: The Alaska Marine Highway System (AMHS) is fast approaching 25 years of service in Southeast Alaska and by all accounts has served well. The system consists of seven vessels serving 18 S.E. communities via an inter and intrastate Marine highway over 1000 nautical miles long, connecting this landlocked Alaskan region to Land highways at Prince Rupert and Seattle to the South, and Haines and Skagway to the North.

PURPOSE OF THIS PAPER: I have prepared this paper to stimulate discussion and debate on issues surrounding the future of this our essential Marine Highway system.

It is my belief that we must find consensus for and immediately begin the implementation of a Marine Highway plan that will carry this system into the next 20 years of service!

GENERAL CONCEPT: I am proposing a holistic concept that addresses such issues as: Bellingham vs Seattle, Roads vs. Hi-Speed Ferries, System Marketing, Thru-Haul vs. Segmentation Scheduling, and the Need for Compatibility with Regional Economic Development Plans.

TIMELINESS: Given the fact that Marine Union contracts expire March 30, 1988, any operational changes contemplated in the next three years should be established soon.

Vessel age and years of hard use dictate a need for major rehabilitation and/or costly replacement within the next 5 - 10 years.

Southeast Alaska's regional economic development growth will depend on a future system that compliments and supports local independent visitor tourism, emerging seafood production in Southeast Alaska and other businesses relying on marine transportation.

Finally, like any \$60 million a year transportation system, we must assure it remains alive and progressive - growing to meet the needs of our state and this region.

CONSIDER OUR PRESENT SYSTEM: Alaska operates this seven vessel fleet at about 67% capacity with far more offline-layup than most private or public shipping companies would.

The system was tailor made to meet peak summer demands and evolved to accommodate many smaller communities over the years.

Ships largely call through Southeast communities and I believe, unknowingly, discourage stopover travel. In fact, I suspect a careful review of traffic figures would show that most of the 45,000 passengers who annually embark at Prince Rupert and Seattle do not spend much time in Southeast communities, to the economic loss of these communities.

Some value added benefits to the system are being realized in every community, especially the larger towns like Juneau, Ketchikan and Sitka, but, every community is losing value because of short docking times, time of arrival and/or the location of our terminals.

Vessel fares are marginally at the point of diminished returns and do not encourage widespread local use.

The system marketing, advertising and promotion is almost non-existent and may be a prime reason why shoulder traffic has not increased appreciably.

RECOMMENDED CHANGES: I believe it is time to implement some of the changes proposed in the 1986 Southeastern Transportation Plan and the Southeast Conference Community Perspective Report. It is time to actively seek demonstration project funds to acquire two properly configured surface effect or conventional high speed vessels to employ in the Lynn Canal corridor between Juneau, Haines and Skagway, and between Ketchikan and Prince Rupert. I intend to approach our Congressional delegation for a realistic determination of this support.

It is time to consider moving our southern terminus from Seattle to Bellingham and to implement a sound marketing and sales program to increase year around passenger, vehicle and freight sales and service.

Traffic should analyze the probable effects of operating a turnaround schedule between Bellingham and Ketchikan interconnecting with an intrastate route between Ketchikan and Juneau with as-needed trips to Sitka. Under this model all mainline traffic would end in downtown Juneau and travellers would proceed north by road and hi-speed ferries.

With this move I recommend we consider the benefits of relocating the Juneau Auke Bay operations to a site in Echo Cove, and to operate directly into downtown Haines or to a terminal site closer to Juneau on the Chilkat Peninsula. Our long-term priority must remain for a road. Realistically we will likely have to wait for significant mining development or exceptional federal funding to justify constructing a \$400 million dollar road between Juneau, Skagway and Haines .

I propose that the time saved by stopping mainline traffic in Juneau and relocating to Bellingham be allocated to longer dock time at smaller communities such as Petersburg and Wrangell for sightseeing, local shopping and other such economic benefits as well as to structure more frequent trips.

As a former Director of the AMHS, I understand the many complexities of this unique system and the time honored constraints. I am confident

that vessel employees, shipping and travel agency partners would be willing to consider some changes for the improvement of the system.

I realize the problems associated with changing a system that has operated essentially the same for 25 years; yet I urge change because the present system is becoming increasingly regressive, more costly and is out of sync with the original legislative intent and the economic development needs of the very communities it was created to serve.

I urge creative marketing, such as booking on-board, off-season conventions, university and school field trips, coordinated trip sales with B.C. ferries and perhaps it is time to offer space available travel as a negotiable labor contract provision in lieu of wages. I would consider offering a once a year space available round trip to Alaska residents (at least SE residents) at a minimal charge to garner the passenger service revenue at a time when passenger loads are down. A little revenue is better than no revenue - providing costs are offset to show some profit.

I recommend all changes be coordinated with the Southeast Conference members and Legislators as well as traditional users of the system. Alaskans should be able to use their only highway at less cost.

POTENTIAL BENEFITS OF CHANGE: I believe the changes I have proposed will increase revenue to the system, appreciably increase economic benefits to Southeast communities, increase employment for Southeast crew members, provide affordable, more frequent and dependable transportation

for all Southeast residents and essentially connect the 70,000 Southeast residents with the Yukon, British Columbia, and the rest of our State. Clearly these changes will increase the value added potentials in every community we serve.

I foresee greatly increased tourism activity, less costly travel between cities in Southeast Alaska and expanded travel between Southeast and our neighbors in the Yukon as well as two way travel between Southeast and the rest of our state. Southeast benefits because our highway now supports our economic development plans and the rest of Alaska benefits because Southeast, especially our Capital city, is easier to access and the 70,000 people of SE Alaska can now travel to Anchorage easier and more frequently. Haines and Skagway benefit because they would have direct and frequent, affordable access to other SE markets and legislative activities.

Orienting the ferry system more to a hub in Ketchikan and one in Juneau may encourage many of those Seattle resident employers to relocate back to Alaska.

FINALLY: This paper is meant to be constructive. It should not be construed as a detailed plan, but rather a conceptual plan to build upon. We still need much debate and a whole lot of in-depth study on this vital system.

Whatever we do, we must begin to implement some of the changes to make the system more beneficial to the inevitable growth of our region.

I welcome your comments and input. I seek your support.

Respectfully submitted,

Bill Hudson



SOUTHEAST CONFERENCE

ALASKA MARINE HIGHWAY SYSTEM

THE COMMUNITY PERSPECTIVE

“Working For All Alaska”

ALASKA MARINE HIGHWAY SYSTEM:

THE COMMUNITY PERSPECTIVE

A report regarding the importance of the Alaska Marine Highway System; containing community perspectives; recommendations for the fiscal year 1988 budget; and suggestions for improvements and efficiencies for the future.

Commissioned by the Southeast Conference

Prepared By
Ayers and Associates
April 1987

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I.
INTRODUCTION

INTRODUCTION

This report was commissioned by the Southeast Conference to provide a basic understanding of the importance of the Alaska Marine Highway System to the people of Alaska. The Southeast Conference is an organization of municipalities, chambers of commerce, groups and individuals representing the common interests of citizens, and businesses of Southeast Alaska. This year, the Conference is working on a variety of issues. They include economic development, educational services, fishing and timber enterprises, and transportation.

The general goal of the Conference is to represent the interests of the 70,000 people of Southeast Alaska on those issues where there is common accord and which significantly affect the economic well being of the entire region as well as the state.

While the Southeast Conference is working on a variety of issues, it has focused on the Alaska Marine Highway System as its top priority. This is because the economic stability and way of life of the entire region is so closely linked to the service level of the ferry system. At the time of its genesis in 1956, the establishment of the ferry system was the exclusive goal of the Southeast Conference, and the Conference does credit itself to a large degree for the birth of the ferry system in Southeast.

Now, more than twenty years have elapsed since the Malaspina, the Matanuska and the Taku were commissioned in the spring of 1963. During the past twenty-four years,

the ferry system has served the people of Southeast quite well. Sometimes, especially during recent prosperity, it was even taken for granted. But as times have changed from fat to lean, its budget attracts attention. As the ferry system is subjected to budgetary scrutiny, its crucial importance to the economy and way of life of all of Southeast and other regions is something which we implore be kept in mind. Accordingly, this report is intended to provide a basic understanding of the importance of the ferry system to Southeast and indeed to the entire state. To accomplish this, much of the report focuses on the roots of importance of the ferries in ways that are specific to each community. This perspective is developed to reveal the statewide dangers in dismantling such a broad foundation. In order to discover the particular importance of the ferries in each community, surveys and observations were conducted in each of them and inquiries made of local citizens and business people.

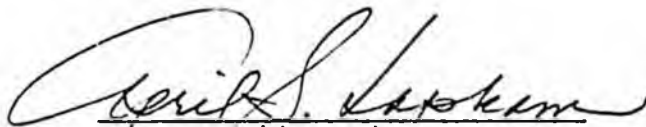
There have been many studies of the ferry system in the past, and there are volumes of reports, but it appears that none of these focuses attention on the critical importance of the evolved system to the communities themselves and ultimately the state.

At the same time as inquiry was made of the ways in which the system is important to each community, inquiry was also made about how the system might be improved and how it should be managed in light of the states' present revenue deficiencies. Thus, one section of the report is devoted

strictly to a set of recommendations and findings. Most of the recommendations merely reflect the views of the citizens of Southeast Alaska. Some, however, have been framed by the authors of this report as a result of their study efforts.

The Southeast Conference is well aware of the fact that the ferry system in Southeast is less than the whole; that the Southwest ferry system is also important. But for purposes of this report, and due to cost and urgency we were only able to focus on the Southeast System as representative of the state's economy as a whole.

The Conference is pleased to offer this report of important aspects of the ferry system which we submit respectfully as assistance to the Legislature and the Governor in their deliberations, and to the people of Alaska who we pray will continue to benefit from our endeavors. Further, we stand ready to serve on any taskforce, advisory board or commission which may be established to help improve the Alaska Marine Highway System.



April Lapham
1st Vice President of
the Southeast Conference,
Mayor of the City of Haines



Ernest E. Polley
President of the Southeast Conference
Mayor of the City & Borough of Juneau

II.

OVERVIEW

ALASKA MARINE HIGHWAY SYSTEM

SOUTHEAST ALASKA

OVERVIEW
ALASKA MARINE HIGHWAY SYSTEM
SOUTHEAST ALASKA

1988 marks the 25th year of service for the Alaska Marine Highway System (AMHS). While service began in 1963, the real origin of the system was a study by the W.C. Gilman Company of New York, commissioned by the U.S. Department of Commerce in 1958. The resulting report proposed the creation of a new and totally unique solution to the transportation needs of Southeast Alaska - a ferry system capable of carrying the same load that one would find on a normal stretch of asphalt highway connecting Southeast communities, if such a highway were feasible. Thus, through the sale of revenue bonds, the AMHS was born. For the first five years, the AMHS completely funded its operation out of receipts. In 1970, the State convinced the federal government that the system was indeed a "Marine Highway," and as such, began receiving federal maintenance funds on the basis of a determination that the AMHS was, by definition, a bridge 500 miles long.

Today the AMHS for Southeast Alaska is a system of seven vessels serving 18 communities in the Alexander Archipelago. The vessels consist of four "mainline" ferrys, and three vessels which serve what the managers of the system term a secondary system. The mainline vessels, consisting of the Motor Vessels Columbia, Malaspina, Matanuska, and Taku connect the large communities of southeast Alaska with each other and Prince Rupert, British Columbia and Seattle, Washington. The three smaller vessels consisting of the Motor Vessels Le Conte, Aurora, and Chilkat connect the smaller communities of southeast to each other and to the larger communities. The communities served by the mainline vessels are:

Ketchikan
Wrangell
Petersburg
Sitka
Juneau
Haines
Skagway

The communities constituting the "secondary system" are:

Metlakatla
Hollis (Hollis is the terminal for four
Prince of Wales Island communi-
ties: Craig, Klawock, Hydaburg,
Thorne Bay)

Hyder
Kake
Angoon
Tenakee Springs
Hoonah
Pelican

The largest vessel in the Southeast System is the M/V Columbia. It is 418 feet long, carries 1000 passengers and 180 vehicles. The M/V Matanuska and M/V Malaspina are the same size. Each is 408 feet long with a passenger capacity of 750 and a vehicle capacity of 120. The M/V Taku is 352 feet long with a passenger capacity of 500 and a vehicle capacity of 105. The M/V Le Conte and M/V Aurora are sister ships. They have identical capacities of 250 passengers and 47 vehicles. The M/V Chilkat, a smaller, aging vessel has a capacity of 75 passengers and 15 vehicles.

During the summer, the Columbia and the Matanuska are on the Seattle run, completing one round trip each week. During the winter period, from October 1 through April 30, there is only one vessel used on the Seattle run, usually either the Matanuska or the Malaspina. The Columbia is usually laid up for most of the winter due to its high operating cost. The Malaspina and the Taku operate between Prince Rupert and Skagway during the summer, completing the round trip in four days if Sitka is served once on each trip and three days if Sitka is not served. Typically each vessel stops at Sitka once each week. During much of the winter only one vessel is used on this route, due to lower traffic.

The Le Conte and Aurora serve the southeast secondary route, supplemented by the Chilkat. The Le Conte serves the northern panhandle and the Aurora serves the southern panhandle. During the summer, the Le Conte operates between Juneau, Sitka, and Petersburg, with stops at Hoonah, Tenakee Springs, Angoon, and Kake. The Le Conte is routed north to Haines and Skagway once or twice each week. The Aurora operates nearly every day between Ketchikan and Hollis, and during the summer, south to Hyder once each week. In October, 1986 the Aurora began serving Metlakatla as well. The Aurora is also used between Prince Rupert and Ketchikan once or twice each week. These vessels serve the same routes during the winter period, but on a reduced basis.

The Chilkat is used between Ketchikan, Hollis, and Metlakatla. The Chilkat makes two round trips on four days of each week during the summer. The ferry system states in its Draft System Plan dated November 1986 that the Chilkat will be retired soon.

In 1985 the Southeast System carried a total of 313,071 passengers. Of these, 235,850 passengers (75.3%) traveled between mainline ports. Tourist traffic is very heavy in the summer months. During July of 1982, a survey showed that approximately 80% of its mainline passengers live outside of Alaska. Of the remaining 20%, 12% were from S.E. Alaska and the remaining 8% were from other parts of the state. As of the time of the preparation of this report, traffic volume figures for 1986 were unavailable.

During 1985 the Southeast system carried a total of 79,780 vehicles. The largest percentage of these vehicles (17.6%) disembarked at Juneau. Of course, many of the vehicles travelling on the ferry system embarked and disembarked more than once as part of a single trip. 15.6% disembarked at Haines. 8% disembarked at Skagway.

The Alaska Marine Highway System, in its twenty-fifth year, is one of Alaska's success stories. We have in the Southeast AMHS a billion dollar infrastructure that is functioning remarkably well, considering the lack of attention it has had for fifteen years.

III.
EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report describes the importance of the Alaska Marine Highway System (AMHS) from the community perspective. It has been developed to show how the economy and way of life of the people in Southeast Alaska has evolved in concert with the ferry system. It points out that budget and other decisions regarding the AMHS should take into consideration the importance of the ferry system in other than strictly economic terms; most particularly the sense of real security, reliability, and the affordable transportation which it offers to the traveling public. It explains the reality that dismantling this billion dollar infrastructure would be a severe blow not only to Southeast Alaska but to the entire state. The report shows how the ferry system is so interwoven in the economic fabric and well-being of Alaska that it deserves a fresh look; a commitment to efficient management and direction through prudent budget decisions. Further, it offers specific recommendations and findings to improve the system.

The ferry system is a vital component of the economy of Southeast Alaska. Therefore, any decision that may result in a general service reduction should be approached with great caution. It is an unfortunate reflection of our government that the rationale to reduce service seems based on the assumption that communities must suffer before management can become effective or labor brought to the table as a full partner in resolving the problems. As a matter of fact,

in most cases it costs at least 50% of vessel expense to lay-up. For example, the Bartlett cost 90% of operating expense to be put into lay-up. Therefore, it needs to generate only 10% of costs in revenue to be more cost effective to operate.

As this study began, the focus of the effort was that of discovering the relative ways in which the AMHS is important to each respective community served by the system. The inter-relationships developed with the rest of the State as a result of the ferry system were also explored. It was learned that not only is the system important in a general way for transportation of people, vehicles, and goods, but in particular ways. That is, a particular major component of a local economy has often developed with the ferry service, and vice versa.

The major component in some communities may be a single business, such as the case with the Hoonah Cold Storage. Hoonah Cold Storage depends on the ferry to ship out 100% of its fish products. This was almost two million pounds of salmon in 1986, and the business expects a 30% increase this year. In Sitka, a winter 'turnaround' run is the primary boost to the retail trade. It is an economic convenience, as well as being key to the delivery of important human services, for those who do not live in Sitka. The economy of the City of Skagway in recent years has become almost entirely based on tourism. Of course, the ferry system plays a very important role in bringing tourists to Skagway. The

AMHS brought 36,000 visitors to Skagway in 1986. Ketchikan faces a double-edged sword when the State considers reductions in ferry service. The mainline runs are extremely important because of the tourist trade, export of fisheries products, and the import of goods and supplies to furnish the area's retail demands. But the feeder ferries are critical for retail and commercial trade, fish transport, and winter economic activity. The economies of the people of Ketchikan would be severely impacted by a reduction in either mainline or feeder ferry service. There is one community, however, which appears to have an even deeper dependence on the ferry system: the City of Haines. There are so many business functions in Haines which have evolved with, and depend upon the ferries, it clearly would suffer the most immediate and significant effects of reductions in service. Haines is still the main embarkation and disembarkation point for people and goods destined for the interior or travelling south from the interior. Without the ferry system, Haines would simply be a place at the end of a very long spur road. These are but few examples of the community perspectives of the AMHS. The more enlightening and detailed reports are found in the Community Section. Reading that section is imperative in understanding the AMHS's relationship to developing economies. The particular ways the communities have used the ferries to develop and stabilize the economy of Southeast must be recognized.

Of course, the communities served by the ferry system are dependent on it in numerous general ways. These include the delivery of food, particularly fresh produce and dairy products; mail delivery; school travel; tourist travel; and the transportation of vehicles, equipment and general freight. In some cases, practically 100% of the fresh produce is delivered by ferry. In addition, all second and third class mail and surface parcel post from the lower 48 travels by ferry. The mail is ferried to Haines, Skagway, Petersburg, Wrangell, Sitka, Ketchikan, and Juneau, then shuttled to smaller communities.

During the school year, all school districts make use of the ferry system for student travel to a remarkable degree. Petersburg, Juneau, Wrangell, and Ketchikan report that a student group (averaging 30 students) from their high schools is going somewhere on the ferry system virtually every week of the school year. For purposes of school travel, both safety and cost considerations combine so that schools schedule events around the ferry schedule. And as funding for education decreases, the cost of flying is not a reasonable alternative for student travel.

The AMHS is also important to the health, welfare and safety of Southeast residents. Residents of the smaller communities depend on the system for transportation to larger communities to meet shopping, business, medical, and recreational needs. The selection of goods and services is extremely

limited in some small communities, making travel to larger communities a necessity. Thirteen of the nineteen SE communities we surveyed have no resident doctor; fourteen have no hospital. Travel by ferry to the larger communities is often the preferred mode of transportation, due to its safety, dependability, and people's fear of flying. The senior citizens of Southeast rely on the ferry system to a great degree, perhaps more than others. For them the ferries are safer, more accessible, and more dependable; as well as providing a far less costly means of transportation.

It is safe to say that almost all Southeast communities served by the AMHS are positively affected by the ferry transport of tourists into their community. Communities as small as Pelican notice an increase in business brought about by the arrival of a ferry. The Southeast communities, through the Southeast Alaska Marketing Council (SAMC), have been doing a great deal to encourage use of the AMHS. They have invested \$400,000. in advertising to encourage the 'independent traveler' to visit SE Alaska. To date they have received 12,000 responses to their ads; 57% of these were interested in ferry travel as their means of transport. The SAMC supplies travel information to the respondents based on their interest.

The degree of general dependence on the ferry system by the various communities appears to rise in inverse proportion to the size of the community. The smaller the community, the more dependent it is likely to be on the ferry system for its

transportation needs. However, a reduction in service would adversely impact elements of all local economies.

In addition to the individual and general ways in which the various Southeast communities are dependent on the ferries, the system is an important source of jobs. The system employs approximately 900 people and there are more than 5,000 other people that depend on the system for their jobs. Table 5 which is appended to this report details the number of people directly employed by the AMHS in each community. Ketchikan is home for the largest number of employees of the ferry system: 294 employees.

It is also important to note that the system is not only important to the economy of Southeast, but to the state's overall economy - more important than is generally thought. In all, the Southeast system carried 313,071 passengers during 1985, the latest year for which figures are available. That same year the system transported 79,780 vehicles. The "Alaska Tourism Handbook," published by the Division of Tourism reveals that 60% of the summer travelers on the ferry system visit Anchorage and 59% visit Fairbanks. In addition, 40% of all winter traffic on the Southeast ferries is headed for the interior. Each year the AMHS carries thousands of tons of freight and millions of dollars of visitor revenues to the northern regions of the state. Each week semi-vans loaded with goods and supplies head for interior Alaska. Even more vans flow from the rest of the state, especially Anchorage to

points in Southeast.

The efforts of this study as indicated, included inquiring of local citizens and business people about how they are affected by the ferry system. But it also elicited opinions of how the AMHS could be more efficient. There was a remarkable consensus about whether budget reductions should automatically result in a commensurate reduction in service. Most people believe that large savings could be achieved by better management, privatization or cost reductions in areas such as marketing and food service, and a very close and serious scrutiny of current labor agreements in cooperation with the unions themselves. Some also expressed opinions that procurement of supplies and fuel throughout the system could be done much more efficiently.

It is apparent that any significant progress in these areas will take time. The answer lies in effective management and sufficient time to implement strategies. Therefore, it appears that for the present, the best that can be done is to begin to direct the system toward attainable goals with clearly defined strategies, some of which are offered in the Recommendations and Findings section of this report. In the short term, the system should maintain the current level of service with an authorization of 62.6 million for FY 88. In the long term, a work plan should be developed that sets objectives and milestones that cut costs and increase revenues. However, one of the most important recommendations must be

mentioned here, namely that of establishing an advisory board or task force of professionals, users and legislators to advise the Legislature, Governor, and managers of the AMHS on various aspects of operating the system. This system is in many ways an anomaly to normal government processes; it demands separate unique attention.

The AMHS is such a pervasive part of both the economy and way of life for the 70,000 people of Southeast that the proposed, but unnecessary reduction in service could severely cripple the communities of Southeast. The impact of any significant service reduction would also affect the economy of the rest of Alaska, further exasperating the state's current economic and social situation.

This community perspective is hopefully the beginning of a fresh look at maintaining our AMHS System with reasonable approaches that go beyond the simplistic, devastating proposal to reduce service. This report provides an interesting review of the AMHS, and proposes a direction of effective management and prudent decisions henceforth. It is intended as a symbol of the efforts of the Southeast Conference to work hard in a cooperative spirit with the AMHS, for all Alaskans.

IV.

THE COMMUNITIES' PERSPECTIVE

KETCHIKAN

Ketchikan is the second largest community in Southeast Alaska, with 14,300 residents. It is situated on the southwest side of Revillagigedo Island. Ketchikan's economy is based primarily on fishing, lumber products, and tourism. As the southern-most Alaska municipality on the ferry system's mainline, it relates closely to Seattle and the coastal communities of British Columbia. As the first Alaska stop not only for the mainline ferry, but for barge, jet, and cruiseship traffic as well, Ketchikan has developed a thriving "micro-economy" servicing those transportation systems. In the past month of March, a major vessel maintenance and dry-dock facility has begun operation, and has already performed maintenance on the AMHS vessels Bartlett and Matanuska. The facility is owned by the state but privately operated by Ketchikan Welding Works.

In its position as the first Alaska stop for both passenger and freight service from the South, Ketchikan has become a strong regional retail center, drawing from an area population of nearly 25,000 in an area generally referred to as Southern Southeast. Because of this position, both mainline and feeder ferries are extremely important to the community. In terms of ferry traffic, Ketchikan is the second busiest port in Southeast. In 1985 51,250 passengers embarked and 50,913 passengers disembarked in Ketchikan; 13,821 vehicles embarked and 13,965 vehicles disembarked. The mainline runs from Seattle and Prince Rupert in the south, to Haines, Sitka, and Juneau in the north providing a steady, dependable system for the delivery of freight, dry goods and produce, as well as tourists and vehicular traffic. The feeder ferries running between Southeast communities provide Ketchikan with the consumers for those products, both from an "import" and "export" perspective. In the sections of this report on Metlakatla and Prince of Wales Island, we discuss the import to the outlying communities of maintaining maximum possible service to Ketchikan. But Ketchikan's health and welfare is also very much dependent on the same service. The retail economy of Ketchikan has grown to the service demands of 25,000 - 30,000 year-round consumers, nearly half of whom depend upon the AMHS for access. A decrease in service of the feeder system would indeed have a dramatic affect on Ketchikan's private sector, which has invested heavily, and confidentially in their regional responsibilities.

A study conducted by the Ketchikan Gateway Borough of economic indicators showed that while Ketchikan's tourists are extremely important to the local economy, almost 95% of sales are by area residents, and over 20% of those are by

residents of outlying island communities. The study also found that the average tourist spends \$28 per day in Ketchikan. The average ferry passenger, on the other hand, spends \$55. Reductions of ferry service over the past winter between Ketchikan, Metlakatla, and Hollis have already resulted in a drop in retail sales. Several businesses have responded by conducting "road trips", taking limited inventories out to the islands for "trade shows". The result is some compensation to the island consumer for the lost accessibility to goods, but their purchases are from considerably less selection, and at a higher price.

The mainline ferry is extremely important to Ketchikan's regional responsibilities, especially as it relates to fresh meats, produce, and dairy products. A reduction in service between Ketchikan and Seattle could have a dramatic affect on the quality of those products; a level of quality that all of Southeast has come to expect. By utilizing the ferry system rather than barge service, three days are saved in transit. Fresh pork and chicken are especially volatile products, and a reduction in service could affect their availability. A reduction in mainline service that would force milk to be barged would, at present costs result in a 14% increase in price to the consumer due to decreased shelf life. Such a scenario could also result in an inability to get fresh dairy products to some villages, camps and communities in a reasonable time and in reasonable condition.

The timber industry in Ketchikan also utilizes the ferry system extensively for supplies and freight, but not for shipping product. Ten per cent of their incoming freight arrives by mainline ferry into Ketchikan. However, after arrival, 25% of their outgoing freight leaves Ketchikan on the feeder runs. In addition, the ferry is used for employee and vehicle transport. Any immediate freight or supply needs are sent via ferry.

The fish processing industry in Ketchikan is also a major user of both mainline and feeder ferries. Nearly three hundred linear feet in van space is utilized weekly in the summer, exclusively for fish, between Hollis and Ketchikan. Salmon, black cod, halibut, and herring all are shipped via ferry year-round. The industry is a major seasonal employer. A large on-shore processor will employ as many as 200 people during the season. Winter cutbacks on the Ketchikan-Hollis run have, on occasion, forced some companies to charter their own boats to transport the fish. Good frequency of service on the feeder runs is of utmost importance to the industry. Their need is also a year-round need, as harvest of the different species takes place at different times.

Tourism is of course a major portion of the AMHS's

business, and much of that business is channelled to Ketchikan. As Alaska's first port of entry on the mainline, and also the first stop after 40 hours of travel, almost all passengers disembark for a break. This winter and spring, Alaska Airlines, the Port of Seattle, and the AMHS have jointly contributed to a program to promote the AMHS to Seattle area travel agents. Three lunches for nearly 225 travel agents have been held on board the Matanuska in Seattle, while four familiarization trips have been held for four hundred travel agents. The trip cost each agent \$295 and includes a ferry stateroom from Seattle to Ketchikan, and a return by air. The target of the program is the 650 travel agencies in the Seattle area. The program has been so successful that plans are in the works to expand the effort to cover the entire west coast, though the program has revealed some serious flaws in the reservations system, which affect the willingness of travel agents to write AMHS tickets.

System wide, one of the major off-season users of the AMHS are school districts. All inter-school activities and competitions depend heavily on ferry transportation. Cuts in the Education Foundation Funding program have already resulted in dramatic reductions in activity budgets for all of Southeast. Ketchikan, for example, has at least one group traveling every weekend of the school year. Of a \$140,000 activities budget, \$100,000 goes to travel costs. That budget is a 50% reduction over the past year. 50% of student travel is by air; 50% by ferry. However, the cost ratio is 70/30, air over ferries.

Ketchikan faces a double-edged sword when the State considers reductions in ferry service. The mainline runs are extremely important because of the tourist trade, export of fisheries products, and the import of goods and supplies to furnish the area's retail demands. The feeder ferries are also extremely important because they transport the fish product for the fisheries, and the consumers for the retail and commercial trade. Cutbacks in either mainline or feeder ferry service would have a potentially devastating impact on the service the other can provide. Ketchikan, perhaps more so than most other Southeast communities, is subject to economy-wide repercussions from a loss or reduction of service by the AMHS.

HYDER

Hyder is an unincorporated community of 100 people located at the head of Portland Canal in southern Southeast Alaska. The community is the only one in Southeast accessible by road. The community economy has two primary sources; tourism and retailing, both of which derive from Hyder's "sister city" of Stewart, British Columbia.

More than 60,000 visitors arrive in Hyder every summer, primarily from the Trans-Canada highway. Via that route, Hyder is just a 20 hour drive from Seattle. The tourist trade supports one motel, one inn, three restaurants, and several gift shops. In addition, Hyder is a popular destination for Canadian residents of Stewart and the surrounding area. The principal reason for this is that British Columbian bars close several hours earlier than those operating under Alaska law in Hyder. One freight line also operates in Hyder, and the community is serviced by float plane from Ketchikan.

Hyder did not begin receiving ferry service until last year, and then only by legislative mandate. The service is for summer months only, and on a weekly basis. The intent of adding service to Hyder was to create an opportunity for a drive/ferry circle from Seattle, through Canada and then return by ferry through Hyder.

Traffic counts and analysis are not available for evaluation yet for this run. The trip is 144 miles from Ketchikan with no stops in-between. The trip takes eleven hours.

METLAKATLA

Metlakatla is a Tsimpshian Indian community of 1,100 residents on Annette Island. It is the southernmost of all Alaskan communities, being 12 miles south of Ketchikan. Metlakatla is not an incorporated municipality under state law. Rather, it is a federally created reservation, created by Congress nearly 100 years ago.

The two mainstays of the Metlakatla economy are a fish trap/cannery operation and a saw mill owned by Louisiana-Pacific. Both of these operations ship their products south by barge, but do rely on the ferry for supplies and equipment. The primary traffic on the Ketchikan-Metlakatla run has always been passengers, but the community does receive two vans/week of groceries. In 1985 Metlakatla embarked 5,974 passengers and 1632 vehicles. 5,651 passengers and 1706 vehicles disembarked.

Given its close proximity to Ketchikan, Metlakatla has interacted closely with Ketchikan for many years. This close interaction was made possible primarily because of daily service that was provided by the Alaska Marine Highway System. The service resembled a commuter service. It allowed the Metlakatla residents to go into Ketchikan in the morning, take care of their business and return in the afternoon. The service was popular and well used. Indeed, the traffic apparently warranted a larger ferry for the run. Therefore, the Metlakatla terminal was modified to accommodate the larger Aurora. Formerly the Chilkat served the Ketchikan-Metlakatla run. The terminal modifications were completed by October of last year. But now the community must share the Aurora with the Prince of Wales Island communities, and they no longer enjoy the daily, over-and-back service they had for so long.

The reduction in service has created some serious problems and inconveniences. Since the residents can no longer go round trip to Ketchikan in a single day, they must over-night in Ketchikan. Usually this means paying for a hotel room. But on the reverse perspective, there are no hotels or motels in Metlakatla. The community had launched an aggressive tourism promotional effort based on the single day turn around service. Now, however, a day trip can only be accomplished if one flies at least one way. The reduction in service has also had the effect of jeopardizing the availability of emergency medical service. There are about 25 - 30 days a year when wind, fog or snow prevents planes from reaching the community. If an emergency should arise now during one of those periods, the ferry is simply less available as an alternative. Any further reductions in service to Ketchikan would seriously impact Metlakatla.

PRINCE OF WALES ISLAND

Prince of Wales Island is the largest island in Southeast Alaska. It is the site of five incorporated municipalities: Craig, population 1200; Klawock, population 600; Hyda-burg, population 500; Thorne Bay, population 400; and Kasaan, population 100. In addition, Prince of Wales Island hosts several other unincorporated communities, villages, and logging camps. They include: Rowan Bay, Hobart Bay, Camp Island, Whale Pass, Dolomi, Port Alice, Chomley, Dana Bay, Shoal Cove, Notaki, Labouchere Bay, Coffman Cove, Polk Bay, Point Baker, Port Protection, Long Island, Warm Springs, Bell Island, Waterfall, and Steamboat Cove.

The residents of Prince of Wales Island apparently have not been informed of the State's recession. Existing industries on the island are going strong and local economies are experiencing something of a "mini-boom". Timber prices have begun to rebound which has made harvesting profitable again. In addition, both regional and village native corporations have extra incentive at this time to set aggressive logging schedules in order to take advantage of their ability, for another four years, to sell operating losses. The summer commercial salmon fishing industry is doing extremely well in the southern panhandle and is expected to continue on an up cycle.

In addition, communities on Prince of Wales are pursuing very aggressive economic development plans. A black cod bottom fishery is just beginning to turn the corner in Craig and Klawock. This past winter, over forty boats took part in the opening. Several areas along the west coast of the island have been identified as the best potential areas for mariculture of salmon, oysters, and seaweed. Additionally, several mining companies have been conducting tests and taking samples for a variety of minerals along some of the island's interior roads. Prince of Wales Island has the most extensive road system in Southeast Alaska. As such, it received a great deal of camper/RV/trailer use during both the summer tourist season and the fall hunting season. In addition, this summer two cruise ships a week will off-load tourists for a two-hour tour of Klawock and the surrounding area. This will be the second summer cruise ships have visited Prince of Wales Island.

Obviously, the communities of Prince of Wales depend a great deal on the AMHS to provide transportation and freight to their thriving economies. All economic development efforts, as well as existing industries, would not function without the AMHS. The cold storage in Craig, a major employer, sends all its fish to Ketchikan via ferry, both summer and winter. They already use the service to capacity. A loss or

reduction of service for the cold storage does not just mean more expense; it means the potential loss of the business itself. Quality is the single most important factor. Fresh fish must be processed and transported as quickly as possible. There exists a fear in Craig that if ferry service is reduced, off-shore processors and tenders will move into the area to service the fishermen on the fishing grounds, and that the Craig cold storage will be by-passed completely.

The lumber camps are supplied almost exclusively by the ferry. Five refrigerator vans and four dry vans of groceries come onto the island every week via the ferry. All logging equipment, materials, parts, and supplies arrive by ferry. Forest Service vehicles come by ferry. Nearly all motorized vehicles on the island come and go via the ferry. In 1985 15,881 passengers and 4,739 vehicles embarked at Hollis. 16,591 passengers and 5,116 vehicles disembarked

Mail also arrives by ferry, as does an annual convoy of state road equipment. There is no doctor or dentist on the island, so patients must go to Ketchikan, as do participants in local alcohol rehabilitation and mental health programs. The ferry system is also heavily used by the island's senior citizens. Of course, the residents rely upon Ketchikan for regional shopping for all goods and services not available on the island, and the ferry is the chief mode of transportation.

Residents of the island have long been of the opinion that they are under serviced by the ferry system, and recent developments have not seemed to help. A facility upgrade at Metlakatla last summer now prevents the state's smallest ferry, the Chilkat from docking there. The Chilkat had regularly serviced Metlakatla. As a result, the Chilkat has been switched over to the Ketchikan-Hollis run, and the larger ferry, the Aurora, is utilized for the Metlakatla run, except for Tuesdays, when it goes to Hollis. So the Chilkat serves Hollis approximately six days a week. But it is seriously undersized for the daily trip across Clarence Strait. As a result, many of its trips are delayed or cancelled due to adverse weather and sea conditions. Further, because the Chilkat has such limited vehicle capacity (15 vehicles), competition is fierce for the Tuesday sailing on the Aurora. The situation has caused problems, inconveniences and added expense this past winter.

The real concern, however, is that even without any reduction in service from budget cuts, service to the island may not be adequate to support the burgeoning economy. The situation appears to be a lost opportunity for the ferry system, as well. The demand for service is there, almost all of it freight, which should make the run highly cost-effective for the ferry system. The residents hope the situation can be improved soon, as they must depend on consistent reliable ferry service - at least at the current level.

WRANGELL

The City of Wrangell is located on the northern tip of Wrangell Island, 89 miles northwest of Ketchikan. Its population as of July 1, 1986 was 2376. Bordered by Zimovia Strait, Wrangell is situated near the mouth of the Stikine River, which reaches into the Canadian interior. As the Stikine developed into a gateway for trappers and prospectors, the northern tip of Wrangell Island became a strategic location that was the key to Wrangell's early development as a military outpost, a fur trading center, and an outfitting, support and entertainment center during three successive gold rushes. Changing interests led to several boom and bust cycles in Wrangell's early history.

Today, Wrangell's economy is structured around harvesting and processing renewable resources of the area. The Alaska Lumber and Pulp sawmill employs up to 100 workers and is Wrangell's largest private employer. Fishing is Wrangell's other major resource based industry. More than 100 residents fish commercially, and for about half of these, fishing is their principal source of income. There are two seafood processors in Wrangell, with a combined workforce of about 100 workers during peak processing months each year. Most of the fish processed in Wrangell is canned, but there is an increasing demand for fresh fish. Presently, fresh fish is flown out of Wrangell, though the entire halibut harvest in 1986 (620,000 lbs.) was shipped via ferry. Expanded use of ferries for the shipment of fresh fish south is foreseeable, especially if jet service to Wrangell is suspended.

Recently, Wrangell has begun a conscious shift to develop its tourism potential. They are trying to encourage people to discover the unique attractions of Wrangell, including its petroglyph beach, access to the Stikine River and the hot springs, Chief Shakes Island which is home of many totems and carvings, and their 2 annual community festivals - Tent Days and the 4th of July. The ferry system plays an important role in tourism development and is viewed by Wrangell businesses as a key ingredient for the future. Wrangell, along with a number of other Southeast communities is currently engaged in a promotional campaign to lure the "independent traveler" back to Southeast. The "independent traveler" is seen as the person who eschews both group trips and package tours. Studies have shown that a high percentage of independent travelers choose the ferry as their mode of transportation. Even now, Wrangell's Economic Development Director estimates that 40% of Wrangell's visitors arrive by ferry on an annual basis. Further, he advised that approximately 70% of the guests of the city's four hotels arrive via ferry. During

the summer, a steady flow of recreational vehicles disembark from the ferry and use the RV parking area provided free of charge by the City. Their average stay in Wrangell is 5 days, during which time they help support local businesses. Needless to say, any cut back in ferry service would severely curtail the most important aspects of Wrangell's tourism potential.

The ferries are used for close to 100% of student travel. A minimum of one group of Wrangell High School students travels each week of the school year to athletic events, Close-up, RSVP, band performances, or Native Education functions. The ferries are also important to the Native people of Southeast as a whole. Travel between southeast villages and communities to attend potlatches, 40-day parties, 'Celebrations' of heritage, and Native dance performances most often occurs by ferry.

Like Petersburg, Wrangell is presently threatened with a loss of jet service. Should this occur, the importance of the ferries would expand suddenly, and dramatically. Ferry travel for business and pleasure has become a way of life for Wrangell residents - a way of life which would be jeopardized by reductions in ferry service.

PETERSBURG

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

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

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

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

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

KAKE

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

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

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

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

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

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

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

ANGOON

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

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

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

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

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

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

SITKA

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

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

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

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

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

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

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

TENAKEE SPRINGS

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

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

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

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

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

PELICAN

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

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

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

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

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

HOONAH

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

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

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

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

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

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

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

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

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

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

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

JUNEAU

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

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

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

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

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