

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5188 HTRA SCR 55 - SJR 27



Official Business

COMMITTEE:

House Transportation Committee

DATE: April 11, 1988

SIGN-IN

Subject of meeting:

*HJR 56: Requesting the U.S. Forest Service to upgrade Resurrection Creek Road in the Chugach National Forest.

SCR 55: Suspending Uniform Rules 41(b), 24(c), and 35 of the Alaska State Legislature concerning Senate Bill No. 298.

NAME Please include title **ADDRESS** Please use full address. Please include zip. **PHONE** **REPRESENTING** **DO YOU WANT TO TESTIFY?**

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Admin. Assist Marla Huss	144 N. Pinkley Soldotna, AK 99669	463-3529	Kenai Pen. Borough	HJR 56 Yes
BOB CRAMER		465-4797	SEN. COGHILL	YES

* indicates first public hearing

SCR

63



Official Business

Alaska State Legislature

House of Representatives

House Transportation Committee

P.O. Box V
Juneau, Alaska
99811

Phone:
(907) 465-4859

May 5, 1988

COMMITTEE CALENDAR:

SCR 63: Urging the Governor to establish the Alaska Railroad depot at Nenana as the official museum for the Alaska Railroad and a state historical site.

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

- item #1: SCR 63
- #2: a statement from Senator Jack Cochill
- #3: fiscal note - Depart. of Comm. & Econ. Dev.
- #4: resolutions of support - AK Railroad Corp.

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

TO: House Transportation Committee Members
FROM: Senator Jack Coghill
DATE: May 5, 1988
RE: SCR 63, URGING THE GOVERNOR TO ESTABLISH THE ALASKA RAILROAD DEPOT AT NENANA AS THE OFFICIAL MUSEUM FOR THE ALASKA RAILROAD AND A STATE HISTORICAL SITE.

THE ORIGINAL ALASKA RAILROAD DEPOT LOCATED IN NENANA, HAS GREAT HISTORICAL SIGNIFICANCE TO THE STATE, TO THE RAILROAD, TO THE CITY OF NENANA, TO THE PUBLIC AND TO TOURISM. LET ME GIVE YOU A VERY BRIEF HISTORY OF THE NENANA DEPOT.

IN 1914, PRES. WILSON SIGNED A BILL AUTHORIZING CONSTRUCTION OF A FEDERALLY OWNED RAILROAD BETWEEN FAIRBANKS AND THE COAST.

NENANA WAS CHOSEN AS THE NORTHERN CONSTRUCTION BASE FOR THE RAILROAD.

ON JULY 15, 1923, PRES. WARREN HARDING DROVE THE "GOLDEN SPIKE" AT NENANA TO SIGNIFY COMPLETION OF THE ALASKA RAILROAD, AND A MONUMENT WAS ERECTED NEARBY TO HONOR THE EVENT.

THE OLD ALASKA RAILROAD DEPOT AT NENANA WAS BUILT IN 1918 AND HAS HISTORICAL SIGNIFICANCE BECAUSE IT IS THE ONLY DEPOT REMAINING FROM THE ORIGINAL RAILROAD SYSTEM.

THE NENANA DEPOT WAS PLACED ON THE FEDERAL REGISTER OF NATIONAL HISTORIC SITES IN AUGUST OF 1977.

THE TRANSFER OF THE ALASKA RAILROAD FROM FEDERAL TO STATE OWNERSHIP WAS SIGNED IN NENANA ON JANUARY 6th, 1985.

THE RAILROAD DONATED THE DEPOT TO THE CITY OF NENANA TO BE PRESERVED FOR HISTORIC PURPOSES AND CONVERSION TO A MUSEUM FOR THE GENERAL PUBLIC IN MARCH OF 1987.

SCR 63 TIES TOGETHER FEDERAL, ARRC, AND STATE RECOGNITION OF THE NENANA DEPOT AS A HISTORIC RAILROAD SITE AND MUSEUM.

THERE IS NO COST TO THE STATE FOR THIS HISTORICAL DESIGNATION, BUT IT WILL ASSIST IN OBTAINING FEDERAL FUNDS FOR HISTORICAL SITES RESTORATION AND DEVELOPMENT WHICH IN TURN WILL BENEFIT TOURISM AND THE GENERAL PUBLIC.

YOUR SUPPORT OF SCR 63 IS ENCOURAGED.

#3

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SCR 63
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Alaska Railroad Corp.
Title: Historical railroad site/museum BRU: _____
Sponsor: Senate Resources Committee Components: _____
Requestor: Senate Transportation Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: James B. Blasingame, Dir. of Administration Phone: 265-2403
Division: Alaska Railroad Corporation Date: April 25, 1988

Approved by Commissioner: J. Anthony Smith Commissioner Date: 11-21-88
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

APR 25 '88 08:23 ARRC.ANCH ALASKA

#4

ALASKA RAILROAD CORPORATION



J. Box 7-2111 • Anchorage, Alaska 99510-7069

Resolution 87-5

Relating to the Donation of the Nenana Depot to the City of Nenana

WHEREAS, the Nenana Depot, located in Nenana, Alaska, was built in 1922 as the northernmost terminus of the Alaska Railroad; and

WHEREAS, the Alaska Railroad Corporation is the owner of the Nenana Depot located in Nenana, Alaska; and

WHEREAS, the Depot was placed on the Federal Register of National Historic Places on August 10, 1977; and

WHEREAS, the Corporation desires to have the building preserved for historic purposes; and

WHEREAS, the City of Nenana is now leasing the building and desires to own the building to preserve its historical significance and convert it to a museum for the general public;

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of the Alaska Railroad Corporation hereby donates the Nenana Depot to the City of Nenana with the stipulation that its historical significance be preserved. The President and CEO and his designees are authorized to negotiate, execute, and finalize documents necessary to transfer title of this building consistent with the terms of this resolution.

Adopted by the Board of Directors
March 16, 1987

ARRC RESOLUTION 87-5 DONATING NENANA DEPOT

ALASKA RAILROAD CORPORATION

O. Box 7-2111 • Anchorage, Alaska 99510-7069



Resolution 87-6

Relating to the Donation of a Locomotive Bell to the City of Nenana

WHEREAS, the Alaska Railroad Corporation has surplused a bell from a steam locomotive that is estimated to be 45 years old; and

WHEREAS, the City of Nenana is developing a historic museum and desires pieces of Railroad equipment which have historic significance to the Railroad and the City of Nenana;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Alaska Railroad Corporation hereby donates one locomotive bell to the City of Nenana with the proviso that it be placed in their museum for the enjoyment of the general public and that it be returned to the Corporation should the City of Nenana have no further use for it.

Adopted by the Board of Directors
March 16, 1987

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

H. TRANS.

5-5-88

1:30 p.m.

HOUSE COMMITTEE REPORT

(7)

Date referred: 4/30/88

FURTHER REFERRALS:

DATE: May 5th 1988

The Transportation Committee has considered SCR 63

Urging the Governor to establish the Alaska Railroad depot at Nenana as the official museum for the Alaska Railroad and a state historical site.

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Mike Miller

Jimmie Springer

Bette Carter

D.A. Pender

SIGNING OTHER RECOMMENDATIONS:

Bette Carter

 Chairman's signature

SJR

||



Official Business

Alaska State Legislature

House of Representatives

House Transportation Committee

P.O. Box V
Juneau, Alaska
99811

Phone:
(907) 465-4859

May 2, 1988

COMMITTEE CALENDAR:

SCR 40: Relating to the revision of Title 2 of the Alaska Statutes.

SJR 11: Urging the repeal of certain portions of the Merchant Marine Act of 1920.

8) FOR THIS MEETING, EACH MEMBER HAS BEEN GIVEN:

a folder on SCR 40 that includes:

- item #1: CS SCR 40
- #2: statement - Senator Halford
- #3: fiscal note - Senate Finance Committee
- #4: memo from David Dierdorff, Revisor of Statutes
- #5: AS 02 table of contents

a folder on SJR 11 that includes:

- item #1: SJR 11
- #2: statement - Sen. Coghill
- #3: background information
- #4: fiscal note - Dept. of Revenue
- #5: position paper - DOT/PF
- #6: impact of Jones Act on Alaska

Senator John B. (Jack) Coghill
Alaska State Legislature

Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862



MEMORANDUM

TO: House Transportation Committee Members

FROM: Senator Jack Coghill

DATE: May 1, 1988

RE: SJR 11, Urging repeal of certain portions of the Jones Act

Alaska is penalized over \$200 million each year in higher costs and exported commodities are priced out of the market due to restrictions on ocean shipping by the federal Jones Act.

The Jones Act, as described in the bill text and the supporting information, requires "All-U.S." ships to carry commodities between Alaskan and Lower 48 ports, coming and going. The resulting higher overall shipping cost of "All-U.S." ships makes goods shipped to Alaska higher cost to us...and Alaska-produced goods shipped out of state must be priced less by the local Alaskan manufacturer, to absorb the added ocean freight cost, to make the product price competitive on the Outside.

An example of higher ocean freight cost is the comparison of an "All-U.S." tanker's total cost to a "Foreign-Flagged" tanker on a voyage between Los Angeles and Anchorage. The "All-U.S." tanker is 74 percent higher than a comparable "Foreign-Flagged" tanker.

<u>Voyage: L.A. to Anch.</u>	<u>"All-U.S."</u>	<u>"Foreign-Flagged"</u>
Total Dollars	\$449,000	\$258,000
Cost Per Ton	\$12.82	\$7.36
Higher Cost	74%	

Another example: Please refer to line 15 of the bill: Last month, the ocean freight companies announced another freight rate increase of 7 percent. This is the third increase in 14 months. The ocean freight carriers justified the rate increase by saying, "...because of Alaska's economic downturn and increased competition, we were not making enough money, so we had to increase prices..." In a protected, monopolistic arena, the ocean freight carriers hold Alaska hostage. These higher ocean freight costs increase the cost of goods to us, and make our locally produced commodities less price competitive on the Outside.

Alaska would greatly benefit with repeal of certain portions of the Jones Act. Passage of SJR 11 will send a clear message to the U.S. Congress about the mandate of Alaskans.

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
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North Pole, Alaska 99705
(907) 488-0862

MEMORANDUM

TO: House Transportation Committee Members

FROM: Senator Jack Coghill

DATE: May 1, 1988

RE: SJR 11, Urging repeal of certain portions of the Jones Act

BACKGROUND

The term 'Jones Act' refers to Section 27 of the Merchant Marine Act of 1920, which states:

"No merchandise shall be transported by water, or by land and water,...between points in the U.S....either directly or via a foreign port or for any part of the transportation, in any other vessel than a vessel built in and documented under the laws of the U.S. and owned by persons who are citizens of the U.S."

The purpose of the Merchant Marine Act of 1920 was:

"That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the U.S. shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the U.S...."

JONES ACT EFFECT ON ALASKA

The Jones Act Cost Penalty

The Jones Act restricts the "coastwise" waterborn transportation of the U.S., including transportation between Alaska and the Lower 48 ports and transportation within Alaska, to vessels that are US-built, US-owned, US-registered, and US-crewed. Detached and remote from other states, separated by a foreign country, Alaska depends disproportionately on ocean transportation for its economic

BACK GROUND AND EFFECT ON ALASKA

links with the rest of the nation. The Jones Act has long been a point of contention between Alaskans and other Americans --- it was one of the grievances that motivated Alaska's struggle against "colonialism" and the desire to become a State; 24 years after Statehood some Alaskans still regard the law as a symbol of their state's second-class membership in the American union.

Whatever transportation-cost penalty the Jones Act carries is imposed disproportionately on the Alaska economy. In general, the relatively small size of Alaska's economy makes it a "price-taker" in national and international markets. That is, both the prices of goods exported from Alaska and those of goods imported into the state tend to be set in larger markets outside its borders. Higher transportation costs are thus added to the cost of Alaska's imports, and subtracted from the market prices of her exports. Thus, the prices of most consumer goods in Anchorage are composed of a price determined in some outside market, plus the transportation cost from that market to Anchorage. This does not include local distribution markups.

Alaska's position as a price-taker means that its economy tends to suffer a double penalty from any adverse transport-cost differential. In general, the state's exports to Lower 48 markets will have lower prices at their point of origin than would otherwise have been the case. The most obvious impact of this kind is on the state government's natural resource royalties and severance taxes, which are keyed to netback prices.

The biggest cost impacts of the Jones Act will be on crude oil, Alaska's chief export commodity. The estimated reduction in the value of Alaska crude resulting from the Jones Act is \$225 million per year.

Alaska North Slope Crude must be shipped pursuant to Jones Act regulations, which provide an exclusive monopoly to U.S. flag ships for all domestic intercity shipborne freight. The transportation of ANS crude accounts for more than half the business conducted by the Jones Act tanker fleet. It is contended that the majority of Jones Act tankers, however, are aging, inefficient, and uncompetitive with foreign flag vessels. The inefficiency stems from; very high labor costs; direct tax subsidies for construction and operating costs; indirect tax subsidies from wellhead-price manipulation by vertically integrated oil-and-tanker companies, allowing greater shipping costs to be offset against reduced wellhead netbacks.

Below is a comparison of transportation differentials between markets:

Valdez to Japan	\$0.50
Persian Gulf to Japan	<u>1.00</u>
	\$0.50
Valdez to Gulf Coast	\$4.00*
Persian Gulf to Gulf Coast	<u>2.00</u>
	\$2.00

*With Trans Panama Pipeline (\$5.00 without)

As shown from these equations, there is an efficiency loss equaling \$2.50 per barrel. Consumers everywhere lose because economic efficiency has been sacrificed resulting in higher delivered costs to both markets. While Valdez to Gulf Coast is just twice the distance from Valdez to Japan, transportation costs are 10 times as high. The bulk of this expense is directly attributable to Jones Act tanker costs, which do not compete with foreign-owned tankers in the U.S. trades.

SUMMARY OF FINDINGS ON THE JONES ACT FOR THE ALASKA STATEHOOD COMMISSION

The Alaska Statehood Commission prepared a report in January of 1982. In this report was the commissions conclusions on the Jones Act. Listed below are some of those conclusions:

The costs of industry subsidies are not evenly distributed nationwide, but are borne by heavy users of Jones Act protected shipping.

Many Alaskans have called the Jones Act a gross form of discrimination against Alaska.

We (AK Statehood Commission) believe that if national security requires a protected merchant fleet, all the nation - not just the states heavily dependent on shipping - should support the cost.

Transportation is Alaska's lifeline, and Alaska's growth needs may be severely restricted by the Jones Act because of its inflexibility and the unwillingness of interests that benefit from the act to allow even small changes.

We find from our preliminary studies of the Jones Act... (that it) discriminates blatantly against Alaskans, helps drive up the cost of living here, and stifles economic development.

NOT JUST ALASKA

The Jones Act repeal is not just an Alaskan issue. Other states are adversely impacted as well. A recent article in the Seattle Post Intelligencer, (2-22-85) mentions that the Jones Act has failed in many respects:

The U.S. fleet has diminished over several decades from 1,300 to 400 vessels. Commercial shipbuilding in the country has come to a virtual standstill.

These laws "keep Seattle from becoming a premier destination for cruise ships. Foreign-flag ships, unable to transport passengers between U.S. ports, dock instead in Vancouver, B.C., when cruising to and from Alaska." "A cruise ship exemption could inject millions of dollars into the local economy from passenger traffic through Seattle."

CONCLUSION

The largest adverse effects of the Jones Act for Alaska are likely to be in the future, as transportation costs for crude oil and other minerals can be an important factor determining the economic feasibility of developing specific deposits.

- * Information for this committee report was taken from:
More Perfect Union; A Final Report by the Alaska Statehood Commission. January 24, 1983
The Jones Act And Its Impact On The State Of Alaska; Volume I: Executive Summary and Volume II: Final Report. July, 1982.
Alaska's Economy and The Merchant Marine Act of 1920; September, 1982.
The Alaska Oil Export Ban; A briefing paper by the Legislative Budget and Audit Committee, April 23, 1983.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS SJR 11 (FIN)
PUBLISH DATE: (SENATE) 1/22/88

FISCAL NOTE

REQUEST:

Revision Date: 1/19/86
Title: Repeal the Jones Act

Agency Affected: Revenue
BRU: _____

Sponsor: Senator Coghill
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	\$35 to \$100 million					

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

The above numbers reflect the savings in transportation costs and thus the gain to the state.

THE ACTUAL AMOUNT DEPENDS ON VARIATIONS IN THE PROPOSALS AND MARKET RESPONSE

Prepared By: Vincent D. Wright
Division: Commissioner's Office/Research

Phone: 465-2173
Date: January 19, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: January 19, 1988

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

MEMORANDUM

State of Alaska Department of Transportation & Public Facilities

TO: The Honorable Jack Coghill
Senator
Alaska State Legislature

DATE: March 2, 1987

FILE NO:

TELEPHONE NO: 465-3900

FROM: Mark S. Hickey *MSH*
Deputy Commissioner
Operations

SUBJECT: SJR 11

The Alaska Department of Transportation and Public Facilities (ADOT&PF) has reviewed SJR 11 and is in general agreement with it. The thrust of the resolution to allow the use of foreign built vessels in domestic maritime trade - provided they satisfy the same standards of design, construction, ownership and crewing as US building vessels - is in line with the recommendations in the 1986 Jones Act Report to the Legislature. Inasmuch as ADOT&PF was the lead agency in developing that report, we have no problem in supporting the resolution.

Last year U. S. Senator Stevens introduced S 1935 which would have accomplished the purpose of your resolution for tourships which serve Alaska, allowing them to operate from Seattle rather than Vancouver, B.C. Unfortunately, the bill died in committee last year and no subsequent measure has yet been introduced into the present Congress.

DOT/PF POSITION STATEMENT AND SUPPORT LETTER

**THE JONES ACT AND ITS IMPACT
ON THE STATE OF ALASKA**

VOLUME I: EXECUTIVE SUMMARY

Prepared for the

ALASKA STATEHOOD COMMISSION

by

SIMAT, HELLIESEN & EICHNER, INC.



July 1982

"THE JONES ACT IMPACT ON ALASKA" BY ALASKA STATEHOOD COMM'N.

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BACKGROUND

The purpose of the study is to provide "an expert and objective analysis of the economic effects of the Merchant Marine Act of 1920 (The Jones Act) on the economy of Alaska," considering:

- The costs which the Act adds to the ultimate price of important classes of freight coming to and leaving Alaska;
- The effect of the Act on the cost and standard of living in Alaska;
- The effect the Act has upon further development and expansion of shipping-dependent industries;
- The composition of the U.S.-flag Jones Act fleet;
- The effects higher shipping costs have on state revenues;
- Other important effects the Act may have upon Alaska's economy, resources, and future development.

The Jones Act

The term "Jones Act" refers to Section 27 of the Merchant Marine Act of 1920, which states:

No merchandise shall be transported by water, or by land and water,....between points in the U.S.....either directly or via a foreign port or for any part of the transportation, in any other vessel than a vessel built in and documented under the laws of the U.S. and owned by persons who are citizens of the U.S....

Because Section 27 restricts U.S. domestic waterborne trade to vessels of U.S. construction, U.S. registration, and U.S. ownership, the Jones Act has come to be referred to as the U.S. cabotage law. Cabotage refers to the reservation of a nation's domestic cargo to ships of that nation's fleet. It could be described as a form of protectionism applied to transportation services. In fact, the purpose of the Merchant Marine Act of 1920 is stated clearly in the preamble of the Act:

That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States....

Factors Leading Up to Passage of the Act

To understand why the Merchant Marine Act of 1920 was enacted, it is first necessary to review the U.S. experience in World War I.

At the beginning of World War I in 1914, the British maintained the world's largest merchant fleet with over 8,500 vessels. The remaining protagonists, together with Britain, accounted for over 14,000 vessels or nearly 60 percent of the world fleet and over 65 percent of the world's tonnage.

As the warring nations recalled their merchant fleets to military service or lost them in action on the high seas, the U.S. began to experience a crippling scarcity of vessels for its on-going commerce. Commodities and goods were left literally rotting on the piers. A major shipbuilding program to provide the country with the ships necessary to carry men and materials to Europe for an extended war was undertaken. However, only a few vessels were delivered before the armistice ending World War I was declared in November of 1918.

The experience of World War I indicated to U.S. lawmakers the dangers of relying on foreign-flag fleets. In the summer of 1919, the Senate Commerce Committee chaired by Wesley L. Jones, Republican from the State of Washington (1909 to 1932), began working on a revision of the national maritime laws. Under Jones' direction the Merchant Marine Act of 1920 was passed into law.

EXCEPTIONS TO THE ACT

A variety of circumstances and conditions have resulted in differing exceptions to the Jones Act for some territories and states. The third and fourth proviso exceptions to Section 27 of the Merchant Marine Act of 1920 are examples of exceptions that apply to Alaska. For practical purposes, the third proviso allows the use of foreign owned, registered, and built ships for carrying cargoes between Alaska and the lower 48 states via Canadian ports so long as rail movement is involved, while the fourth proviso applies to movements on the Yukon River.

There are other exceptions. For instance, trade with the U.S. island possessions of Guam, Tutuila (American Samoa), Wake, Midway and Kingman Reef may be carried on foreign built U.S.-flag vessels.

Of direct interest to Alaska are the conditions that govern trade to the Virgin Islands. For historical reasons, the Virgin Islands are exempt from the Jones Act. As a result, Alaskan crude oil can be shipped out of Alaska on foreign-flag vessels to a refinery in the Virgin Islands. The product can then be shipped foreign-flag to the U.S. mainland. Data compiled by the Maritime Administration indicate that this route accounts for about 5 percent to 15 percent of Alaskan oil shipments.

THE JONES ACT FLEET

The Jones Act fleet consists of those vessels eligible to engage in the coastwise trade. Generally, that includes any vessels built in the U.S., under

U.S. ownership, registered under the laws of the U.S., and not restricted because of subsidy status. Vessels that have received Construction Differential Subsidy (CDS) or are receiving Operating Differential Subsidy (ODS) from the Maritime Administration cannot serve the cabotage or coastwise trade without special waivers.

Currently, the Jones Act fleet accounts for 60.7 percent of U.S.-flag tonnage. Most of these vessels are tankers; in that category, 86.8 percent of all vessels are eligible for coastwise trading. Data appear in Table 1.

The Alaska trade fleet of six^{1/} dry cargo freighters and 88 tankers constitutes 28.8 percent of the Jones Act fleet and 16 percent of the active U.S.-flag privately owned fleet.

Alaska trade freighters constitute only 8.6 percent of the total Jones Act eligible freighters. The containerships are smaller than those generally found in the Jones Act fleet and the Ro/Ro ships are larger. Among tankers, the Alaska trade fleet is made up of 34.4 percent of the total Jones Act fleet, but has 54 percent of the carrying capacity. This is because tankers in Alaska service are larger than the fleet average. Data appear in Table 2.

ALASKA WATERBORNE TRADE

Alaska's waterborne commerce is dominated by crude oil shipments from Valdez which accounted for 89.5 percent of Alaska's total port activity in 1979. When crude oil shipments are subtracted from the total, remaining waterborne commerce is 34.5 percent foreign imports and exports, 47.5 percent coastwise receipts and shipments, and 18 percent internal receipts and shipments. Data illustrating the relationship of total foreign, coastwise, and internal movement of the top ten Alaska ports is shown in Figure 1. Excluding crude oil shipments, the activity of the top ten Alaska ports includes approximately 60 percent of the state's total waterborne commerce.

Coastwise dry cargo shipments out of Alaska move primarily to the Pacific Northwest (Seattle and Tacoma). Of the total, 51.2 percent move to the Pacific Northwest, California receives 15.9 percent, and internal shipments within Alaska account for the remaining 32.9 percent.

Tanker movements from Alaska are destined primarily for refineries in California. Panama, the Pacific Northwest, and Hawaii also receive varying amounts of Alaska crude, based on the 1979 data.

Coastwise dry cargo shipments to Alaska originate to a large degree in the Pacific Northwest (77.3 percent). A very high proportion of the cargo moving to and from Alaska's smaller ports is transshipped via the major ports.

^{1/} Includes Sea-Land and TOTE; excludes barge services.

TABLE 1
PROPORTION OF JONES ACT VESSELS
TO TOTAL U.S.-FLAG VESSELS

	Number of Vessels			DWT (000)		
	<u>Jones Act</u>	<u>Total</u>	<u>%</u>	<u>Jones Act</u>	<u>Total</u>	<u>%</u>
A. DRY CARGO	70	280	25.0	1,119.0	5,123.7	21.8
B. TANKERS	<u>256</u>	<u>295</u>	<u>86.8</u>	<u>11,950.3</u>	<u>16,409.2</u>	<u>72.8</u>
C. TOTAL	<u>326</u>	<u>575</u>	<u>56.7</u>	<u>13,069.3</u>	<u>21,532.9</u>	<u>60.7</u>

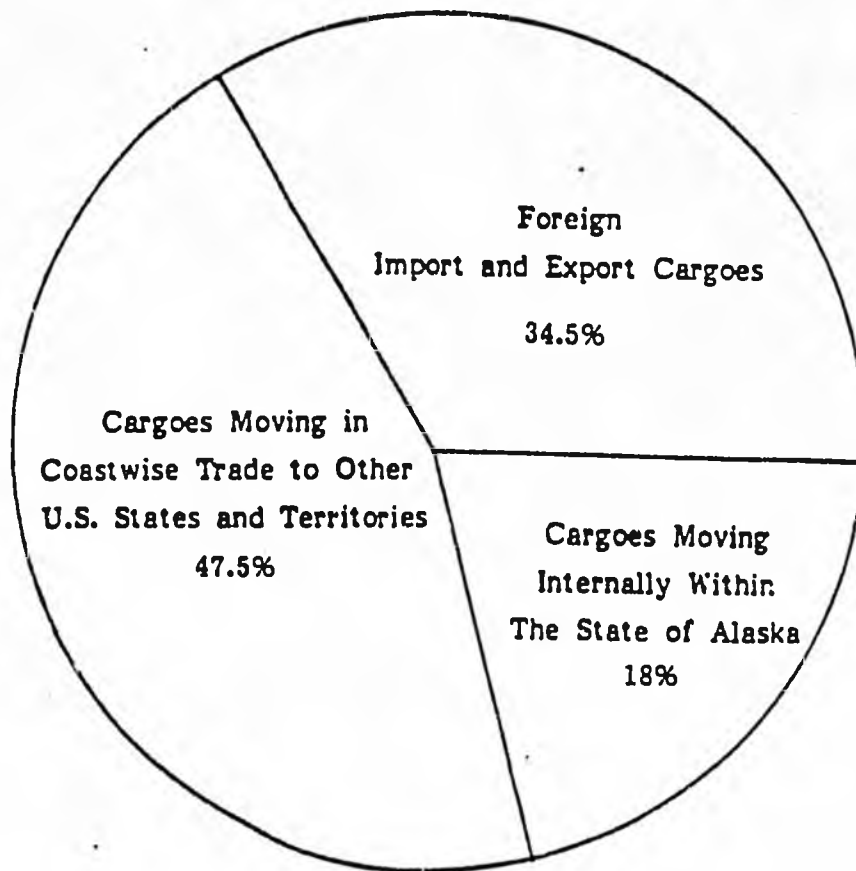
TABLE 2
U.S.-FLAG PRIVATELY-OWNED, SELF-PROPELLED VESSELS
OF 1,000 GROSS TONS OR MORE
January 1, 1982

	<u>Serving Alaska</u>	<u>Total Jones Act</u>	<u>% Serving Alaska</u>	<u>Serving Alaska</u>	<u>Total Jones Act</u>	<u>% Serving Alaska</u>
A. FREIGHTERS	6	70	8.6	64.7	1,119.0	5.8
B. TANKERS	<u>88</u>	<u>256</u>	<u>34.4</u>	<u>6,513.8</u>	<u>11,950.3</u>	<u>54.5</u>
C. TOTAL JONES ACT FLEET	<u>94</u>	<u>326</u>	<u>28.8</u>	<u>6,578.5</u>	<u>13,069.3</u>	<u>50.3</u>

1/ Privately-owned, self-propelled vessels of 1,000 gross tons or more -
January 1, 1982

Source: U.S. Maritime Administration

FIGURE 1
CARGO ACTIVITY OF CORPS OF ENGINEERS TOP 10 ALASKA PORTS
(EXCLUDING CRUDE OIL AT VALDEZ)
BASED ON TONS OF CARGO SHIPPED AND RECEIVED
1979



Tanker cargo being received in Alaska, consisting of petroleum products for consumption in the state, flows almost exclusively from California; a high percentage is redistributed from larger to smaller Alaska ports.

Anchorage is the primary receiving port for consumer products, building materials, and food. Whittier also serves the Anchorage market with the same categories of cargo. Most of the high volume cargoes (commodities registering annual volumes of 10,000 tons or more) moving into Alaskan ports other than Anchorage and Whittier, consist of petroleum products.

ALASKAN SHIPPING COSTS

The Impact of Costs on Rates

The cost of shipping in the Alaska trade, and the cost premium caused by the Jones Act, were estimated by comparing the cost of present vessel services with the probable cost of those services were they operated with foreign-flag ships. Although it is true that the observed impact on customers is conveyed through shipping rates, not underlying shipping costs, and that competition and value of service, or "what the traffic will bear," establish freight rates for each commodity in the short run, costs set the limits for freight rates in the long term. In other words, although cost and rate may not be the same or even similar for any given commodity at any given time, in the long run (and/or over a mixture of commodities carried in the same service), rates are, in fact, cost determined. Hence, the cost-based method is a valid approach for determining the relative impact of differing governmental policies which affect the long term character of a shipping market.

Shipping Costs

Ocean shipping costs can generally be divided into the following categories:

- Capital
- Manning and Subsistence
- Fuel
- Maintenance and Repair (M&R)
- Supplies and Equipment
- Insurance
- Cargo Handling
- Other Port Costs
- Agency, brokerage, and Commission
- Waterway Tolls and Pilot Fees
- Corporate Overhead

There are exceptions, however. For example, tanker movements seldom involve meaningful cargo handling costs, because this function is provided by shipboard pumps, the cost of which is already part of other cost categories. Other types of shipping have other costs—e.g., container ownership in the case of container systems.

U.S.-flag Cost Disadvantages

Among the categories listed, not all are areas in which there are cost differences between U.S.- and foreign-flag vessels. The major areas in which U.S.-flag vessels are at a disadvantage are:

- Crew wages — Generally, U.S. manning costs are higher, due in part to higher rates of compensation and in many cases, higher manning levels.
- Insurance — Insurance is usually higher because of higher U.S. vessel repair costs and typically higher levels of medical care, workmen's compensation, etc.
- Vessel acquisition — Vessel acquisition costs are higher because of higher U.S. construction costs. In addition, delivery schedules in the U.S. are said to be much slower, introducing a cost of delay. The requirement for U.S. subsidized operators to purchase U.S.-built vessels has been temporarily waived, allowing U.S.-flag carriers to buy vessels overseas at cheaper prices. This does not apply in the domestic trades, however.
- Vessel Maintenance and Repair — Vessel M&R is higher due to the necessity for making repairs in the U.S.
- Overhead — Overhead is sometimes higher due to higher general levels of salary for U.S. headquarters office staffs, to the extra staff required for government compliance activity, and the fact that foreign lines use agents in the U.S.
- Fuel Costs — In most cases U.S. fuel costs are higher because steam turbine vessels are employed which have higher fuel consumption rates than foreign-flag vessels that traditionally use slow speed diesel engines.

U.S.- vs. Foreign-flag Shipping Comparisons

The SH&E Required Freight Rate model was used to calculate costs of U.S. and hypothetical foreign-flag vessels in a representative sample of Alaskan service, focusing on cost differences in the categories set out above. Summary results from four runs appear in Tables 3-6, as follows:

Table 3	-	Container vessel: Seattle-Anchorage
Table 4	-	Roll on/Roll off vessel; Tacoma-Anchorage
Table 5	-	Crude Oil Tanker; Valdez-Los Angeles
Table 6	-	Petroleum Products Tanker; California to various Alaskan ports.

TABLE 3

**SUMMARY OF U.S.- AND FOREIGN-FLAG COSTS
FOR CONTAINERSHIP OPERATIONS
ANCHORAGE/SEATTLE**

<u>U.S.-FLAG</u>		
<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TEU</u>
MANNING AND SUBSISTENCE	70,837.14	75.95
FUEL	63,448.54	68.22
MOR	10,285.71	11.06
SUPPLIES AND EQUIPMENT	1,182.86	1.27
INSURANCE	8,485.71	9.12
CAPITAL COSTS	30,857.14	33.18
STEVEDORING COSTS	87,750.00	94.35
TERMINAL COSTS	241,800.00	260.00
PORT COSTS	60,000.00	64.52
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CONTAINER COSTS	76,371.43	82.12
POSITIONING COSTS	143,000.00	153.76
FEEDER TRANSPORTATION COSTS	0.00	0.00
AGENCY, BROKERAGE, AND COMMISSION	18,600.00	20.00
CORPORATE OVERHEAD	169,356.13	182.10
TOTAL	981,774.66	1,055.67

<u>FOREIGN-FLAG</u>		
<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TEU</u>
MANNING AND SUBSISTENCE	41,040.00	44.13
FUEL	45,215.96	48.62
MOR	9,000.00	9.68
SUPPLIES AND EQUIPMENT	1,182.86	1.27
INSURANCE	4,937.14	5.31
CAPITAL COSTS	15,428.57	16.59
STEVEDORING COSTS	87,750.00	94.35
TERMINAL COSTS	241,800.00	260.00
PORT COSTS	60,000.00	64.52
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CONTAINER COSTS	76,371.43	82.12
POSITIONING COSTS	143,000.00	153.76
FEEDER TRANSPORTATION COSTS	0.00	0.00
AGENCY, BROKERAGE, AND COMMISSION	18,600.00	20.00
CORPORATE OVERHEAD	106,332.78	114.34
TOTAL	850,658.24	914.69

TABLE 4

SUMMARY OF U.S.- AND FOREIGN-FLAG COSTS
FOR RO/RO SHIP OPERATIONS
ANCHORAGE/SEATTLE

U.S.-FLAG

<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TEU</u>
MANNING AND SUBSISTENCE	54,940.00	49.50
FUEL	80,303.27	72.35
M-R	5,000.00	4.50
SUPPLIES AND EQUIPMENT	900.00	0.81
INSURANCE	11,600.00	10.45
CAPITAL COSTS	72,000.00	64.86
STEVEDORING COSTS	76,500.00	68.92
TERMINAL COSTS	288,600.00	260.00
PORT COSTS	44,000.00	39.64
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CONTAINER COSTS	36,382.50	32.78
POSITIONING COSTS	176,000.00	158.56
FEEDER TRANSPORTATION COSTS	0.00	0.00
AGENCY, BROKERAGE, AND COMMISSION	24,200.00	21.80
CORPORATE OVERHEAD	153,604.55	138.38
TOTAL	1,024,030.32	922.55

FOREIGN-FLAG

<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TEU</u>
MANNING AND SUBSISTENCE	31,920.00	28.76
FUEL	57,906.61	52.17
M-R	4,000.00	3.60
SUPPLIES AND EQUIPMENT	900.00	0.81
INSURANCE	6,240.00	5.62
CAPITAL COSTS	36,000.00	32.43
STEVEDORING COSTS	76,500.00	68.92
TERMINAL COSTS	288,600.00	260.00
PORT COSTS	44,000.00	39.64
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CONTAINER COSTS	36,382.50	32.78
POSITIONING COSTS	176,000.00	158.56
FEEDER TRANSPORTATION COSTS	0.00	0.00
AGENCY, BROKERAGE, AND COMMISSION	24,200.00	21.80
CORPORATE OVERHEAD	106,724.88	96.15
TOTAL	889,373.98	801.24

TABLE 5
SUMMARY OF U.S.- AND FOREIGN-FLAG COSTS
FOR VLCC OPERATIONS
VALDEZ/LOS ANGELES

U.S.-FLAG

<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TON</u>
CAPITAL COSTS	224,588.74	1.87
MANNING AND SUBSISTENCE	86,590.71	0.72
FUEL	227,090.91	1.89
M/R	11,225.44	0.09
SUPPLIES AND EQUIPMENT	3,743.15	0.03
INSURANCE	23,556.13	0.20
CARGO HANDLING	0.00	0.00
OTHER PORT COSTS	140,000.00	1.17
AGENCY, BROKERAGE, AND COMMISSION	0.00	0.00
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CORPORATE OVERHEAD	0.00	0.00
TOTAL	717,599.08	5.98

FOREIGN-FLAG

<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TON</u>
CAPITAL COSTS	112,296.37	0.94
MANNING AND SUBSISTENCE	86,714.46	0.39
FUEL	227,090.91	1.89
M/R	7,886.29	0.06
SUPPLIES AND EQUIPMENT	3,743.15	0.03
INSURANCE	13,924.50	0.12
CARGO HANDLING	0.00	0.00
OTHER PORT COSTS	140,000.00	1.17
AGENCY, BROKERAGE, AND COMMISSION	0.00	0.00
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CORPORATE OVERHEAD	0.00	0.00
TOTAL	551,233.68	4.59

TABLE 6
SUMMARY OF U.S.- AND FOREIGN-FLAG COSTS
FOR PRODUCT TANKER OPERATIONS
LOS ANGELES/ANCHORAGE

U.S.-FLAG

<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TON</u>
CAPITAL COSTS	102,285.71	2.92
MANNING AND SUBSISTENCE	131,266.67	3.75
FUEL	154,833.33	4.42
M-R	4,546.03	0.13
SUPPLIES AND EQUIPMENT	11,365.08	0.32
INSURANCE	22,730.16	0.65
CARGO HANDLING	0.00	0.00
OTHER PORT COSTS	21,600.00	0.62
AGENCY, BROKERAGE, AND COMMISSION	0.00	0.00
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CORPORATE OVERHEAD	0.00	0.00
TOTAL	448,626.98	12.82

FOREIGN-FLAG

<u>EXPENSE CATEGORY</u>	<u>COST PER VOYAGE</u>	<u>COST PER TON</u>
CAPITAL COSTS	51,142.86	1.46
MANNING AND SUBSISTENCE	66,826.67	1.91
FUEL	98,250.00	2.81
M-R	3,977.78	0.11
SUPPLIES AND EQUIPMENT	11,365.08	0.32
INSURANCE	13,979.05	0.40
CARGO HANDLING	0.00	0.00
OTHER PORT COSTS	12,000.00	0.34
AGENCY, BROKERAGE, AND COMMISSION	0.00	0.00
WATERWAY TOLLS AND PILOT FEES	0.00	0.00
CORPORATE OVERHEAD	0.00	0.00
TOTAL	257,541.43	7.36

These summary runs indicate that the relative impact of the Jones Act on Alaskan commerce varies with specific circumstances. For example, in liner trades^{1/} (represented by container and Ro/Ro vessels) a significant part of the total cost relates to containers, cargo handling, and other cargo-related functions. These are not affected by the Jones Act. Hence, the relative cost difference between U.S.- and foreign-flag vessel service is less than, say, the tanker trades, where Jones Act-affected cost categories make up a much larger share of the total cost.

THE IMPACT OF SHIPPING COSTS DUE TO THE JONES ACT

Open Questions About the Jones Act

There are a number of unanswered questions relating to changing or eliminating the Jones Act. They include:

- Is it preferable to remove all provisions of the Act or a selected subset?
- What is the likely response by foreign shipping interests to a relaxation of the coastwise laws? On what terms would foreign owners and operators be interested in providing service?
- What immigration problems, if any, would result from employing foreign seamen in the Alaska coastwise trade?
- If foreign-flag operations can be introduced at great savings, what has impeded foreign-flag vessels from being used more extensively to carry coastwise cargoes via Canadian ports?
- What will be the U.S. labor reaction to the introduction of foreign ships and foreign crews and what secondary effect might this have on Alaska?

The Impact of The Act on Liner Services

The total U.S.-flag premium cost for liner services in the Alaskan trade (i.e., services which transport package cargo such as consumer goods, automobiles, machinery, etc.) is about \$41 million per year, as follows:

	<u>Container</u>	<u>Ro/Ro</u>	<u>Tug Barges</u>
Cost per trip - U.S.-flag	\$981,774	\$1,024,030	\$195,217
Cost per trip - foreign-flag	<u>850,838</u>	<u>889,373</u>	<u>158,023</u>
Net	\$131,216	\$134,657	\$37,188
Voyages per year	<u>X 155</u>	<u>X 100</u>	<u>X 200</u>
	\$20,322,980	\$13,465,700	\$7,437,600
	<u>GRAND TOTAL</u>		<u>\$41,226,280</u>

^{1/} "Liner trades" refers to all ocean freighter services which handle packaged and piece goods, in contrast to "bulk trades" which handle petroleum, grain, ore, and other bulk commodities.

The cost penalty applies to commodities as a group. How it may be distributed to any specific commodity or group of commodities is uncertain; if any one item is judged to pay less premium, then something else must automatically be said to pay more, and the net result to the people of Alaska is essentially the same.

With regard to the relative impact of the Act on inbound versus outbound commodities, the analysis indicates it is northbound liner commodities which are most likely absorbing the cost premium, meaning the direct (or initial) impact of the Jones Act is falling more heavily on Alaskan receivers and consumers rather than on Alaskan businesses shipping their products southbound.

The Impact of the Act on the Crude Oil Trades

With regard to crude oil, the RFR analyses indicated the differential between U.S.- and foreign-flag tanker operations in the Valdez to Los Angeles service is \$1.39 per long ton. For shipments from Valdez, transshipped at the Panama Canal and sent onward to the U.S. Gulf Coast, the differential would be \$5.67.

Assuming an average annual U.S.-flag shipment rate of 80 million tons per year, with two-thirds moving to California and one-third to the Gulf Coast via Panama, the annual cost penalty ultimately being borne by Alaska through the netback mechanism is \$225 million. Clearly, the Jones Act's major impact on Alaska is in the sphere of crude oil shipments.

MAJOR CONCLUSIONS

The Jones Act and Alaska's Liner Service

- Commerce of the State of Alaska moving in liner services, mostly consumer goods and business supplies, is absorbing an aggregate annual cost of approximately \$41 million because of the restrictions imposed by the Merchant Marine Act of 1920.
- Due to the inherent directional imbalance of Alaska cargoes, the incidence of higher costs and rates is having the greatest impact on northbound cargoes.
- In the high-volume Anchorage-Pacific Northwest trade, the state may have a potential for reducing rates by stimulating backhaul cargoes. The extra cost of transportation for such cargoes would be low.
- In modern containerized-type operations, the bulk of the costs are not flag related. Consequently, the scope for cost and rate reductions as a result of introduction of foreign-flag services is not as great proportionately as in other sectors of the merchant marine.

The Jones Act and Alaska's Crude Oil Transportation Service

- Alaska's net return from its oil sales is being reduced due to the additional costs imposed by the Jones Act, which, based on current conditions, are approximately \$225 million per year.

Current Use of Exemptions from the Act

- The State of Alaska has some relief available from the Merchant Marine Act of 1920. This relief is currently not being exploited. Non-use of this loophole does indicate that the cost savings ultimately available from use of foreign-flag vessels may not be as great as has sometimes been supposed.

Changes in U.S. Maritime Policy

- In view of the Administration's apparent position to uphold the Jones Act, efforts to have it rescinded in toto will be difficult in the immediate future.
- Given the recent lifting of prohibitions on overseas-built vessels for U.S. subsidized trades, the State of Alaska may wish to consider an effort to obtain a waiver of the requirement to use vessels built in the U.S. and place less emphasis on changing the remainder of the Jones Act.
- The State of Alaska should develop a coordinated, thoroughly-considered Jones Act strategy that seeks reasonable and politically attainable concessions in areas where the cost impacts are most meaningful. This approach has the potential for success, and can be instrumental in reducing the impact of the Jones Act on the State's economy.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

H. TRANS.

5-2-88

1:30 p.m.

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/3/88

FURTHER REFERRALS: Finance

DATE: 5-2-88

The Transportation Committee has considered SSJR 11(Fin)

Urging the repeal of certain portions of the Merchant Marine Act of 192

RECOMMENDS:

- replace with _____ the same title -
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal not published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Bill Hinds
Hermin Springs
Butte Cats

SIGNING OTHER RECOMMENDATIONS:

Butte Cats
 Chairman's signature

SJR

18

Alaska State Legislature

House of Representatives

Committee on Transportation

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

Rep. Bette Cato, Chairman

April 13, 1987

COMMITTEE CALENDAR:

- CSSJR 18: Commemorating the 50th anniversary of the construction of the Alaska Highway and requesting the issuance of commemorative postal stamps by the United States Postal Service and the Canada Post Corporation.
- HB 213: "An Act relating to allocation of federal-aid highway funds; and providing for an effective date."

FOR THIS MEETING YOU HAVE:

A folder on CSSJR 18 that includes:

- * a copy of CSSJR 18
- * a zero fiscal note
- * a memorandum from Sen. Duncan, sponsor of the resolution
- * information on the construction of the AlCan Highway
- * a history of the Alaska Highway
- * letters of support

A folder on HB 213 that includes:

- * a copy of HB 213
- * a statement by Rep. Hoffman, sponsor of the bill
- * a sectional analysis
- * availability of sums apportioned
- * an excerpt from the Alaska State Statutes
- * apportionments: Federal Aid Highway Act '76, '78, and '82
- * federal aid highway fund distribution
- * Alaska federal aid road miles
- * land & marine highway functional classification
- * DOT/PF project ranking
- * DOT/PF Central Region highway program
- * DOT/PF position paper

No. 155

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

REQUEST: March 17, 1987
Revision Date: _____
Title: SJR 18 Commemorative stamp
AK Hwy's 50th year
Sponsor: Sen Duncan
Requestor: _____

Bill Version: CS SJR 18 (Prop)
Publish Date: 3-24-87

Agency Affected: None
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL		- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE		- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

- This resolution has no fiscal impact.

Prepared by: Terry Orness *Terry Orness* Phone: 465-4921
Division: aid to Senate Transportation Committee Date: 3/17/87

Approved by ~~Committee~~: Senator Lloyd Jones Date: 3/17/87
Agency: *Lloyd Jones*

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary



Alaska State Legislature

SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811

(907) 465-4766

COMMITTEES:
FINANCE
RESOURCES
BUDGET AND AUDIT

M E M O R A N D U M

DATE: April 6, 1987

TO: Representative Bette Cato
Chairman
House Committee on Transportation

FROM: Senator Jim Duncan

RE: SJR 18, AlCan Highway Commemorative Stamp

I respectfully request a hearing for this bill at your earliest convenience. I am forwarding information to be used as backup for this legislation.

The 50th Anniversary of the construction of the Alaska Highway, referred to as the Alaska-Canada Highway, or the AlCan Highway, is in the year 1992. It has been requested by Philatelic groups, both in Alaska and Canada, that a commemorative stamp be issued in honor of the event. I have included correspondence as backup to the resolution.

Because of the requirement to submit a special request stamp issuance 36-months in advance, by the U.S Postal Service Citizens Stamp Advisory Committee in Washington, D.C., it is recommended that the process be initiated right away. Through this resolution, the Alaska Legislature will go on record as endorsing this action.

Alaska State Legislature

Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator J. Duncan
Alaska State Legislature

ATTN: Ron Whitcraft

FROM: Lee Ann Lucas ^{JTS}
Researcher _{for}

DATE: March 20, 1987

RE: Construction of the AICan Highway
Request #87-001182

Attached is the information you requested on who constructed the AICan Highway.

Initial construction of the AICan Highway was completed by the U.S. Army. The units involved are listed below with their current status. If they are still active, I also gave an address to contact them.

ACTIVE

35th Engineer Battalion (originally 35th Combat Engineer Regiment)

Address: Commander
35th Engineer Battalion
Ft. Leonard Wood, Missouri 65473

76th Engineer Battalion (originally 340th General Services Regiment)

Address: Commander
76th Engineer Battalion
Ft. Drum, New York 13602

73rd Engineer Company (originally 73rd Light Ponton Company)

Address: Commander
73rd Engineer Company
Ft. Lewis, Washington 98433

Company D, 29th Engineer Topographic Battalion

Address: Commander
29th Engineer Topographic Battalion
Ft. Shafter, Hawaii 96858

INACTIVE

18th Engineer Battalion (originally 18th Combat Engineer Regiment)
93rd, 95th, and 97th Army Engineer Regiments
77th Engineer Battalion (originally 341st General Services Regiment)
74th Light Ponton Company
133rd and 134th Quartermaster Truck Company
140th and 141st Quartermaster Truck Company
428th Engineer Heavy Dump Truck Company
Company A, 648th Engineer Topographic Battalion

Later the AICan was improved to a year-round road with wider roadbeds and permanent bridges built by the U.S. Public Roads Administration.

My contact person for the above information was Doris Thomas in Public Affairs at Ft. Richardson in Anchorage. Her phone number is 862-9298.

If you have any further questions, please don't hesitate to call us.

JTS:jts

Attachment

to be
added
1973

the
TRAIL
of **42**

A Pictorial History of the Alaska Highway

by stan cohen

northwest. Another access point was through Skagway, Alaska.

The road, when completed, traversed over 1400 miles from Dawson Creek to its junction with the Richardson Highway at Delta Junction, Alaska.

INITIAL CONSTRUCTION

The bombing of Pearl Harbor on December 7, 1941 was to produce one of the great engineering feats of the century. The west coast of the United States and Canada and all of Alaska lay open to a possible Japanese invasion and the defense of the area was of paramount importance in the early days of the war.

The attack had prompted President Roosevelt to form the Special Cabinet Committee to study the problems of building a road to Alaska through Canada. Brigadier General C.L. Sturdevant, the Assistant Chief of the United States Army Corps of Engineers was detailed to put together plans for the road's actual construction at the earliest possible time. There

was opposition to building the road even after Pearl Harbor. The navy thought it could keep the sea lanes free of enemy intrusions and the army questioned the use of badly needed supplies and soldiers on such a large scale project. But the pressing need for a quick decision to get men and supplies to the area while the ground was still frozen prompted action. After much haggling over which route to follow, a decision was made on February 2, 1942 to follow Route C or the Prairie Route. On February 14 a directive was issued for actual work to begin.

The plan was to start a road from the end of the railroad at Dawson Creek, British Columbia, cutting a pioneer road suitable only for military traffic to Whitehorse and terminating at Fairbanks, Alaska. It was to be built as fast as possible. Later it was to be followed up as a year around road with wider roadbeds and permanent bridges built by the United States Public Roads Administration (PRA).

Arrangements had to be made with the Canadian government, as most of the road would be built through British Columbia and the



Governor Ernest Gruening of Alaska, second from left, visited the Public Roads Administration camp in Whitehorse in October, 1942. On the left is Brigadier General James J. O'Conner, Commanding General of the highway construction. Third from left is Colonel John Wheeler, in charge of the actual construction and to his right is Colonel K. Bush, Chief of Staff. NA

Yukon Territory, using American troops and equipment. The Canadians agreed to furnish the right of way; to waive import duties, sales taxes, income taxes and immigration regulations, and to permit the taking of timber, gravel and rock from crownlands along the route. The Americans agreed to pay for the construction and to turn over the Canadian portion of the road to the Canadian government six months after the war ended.

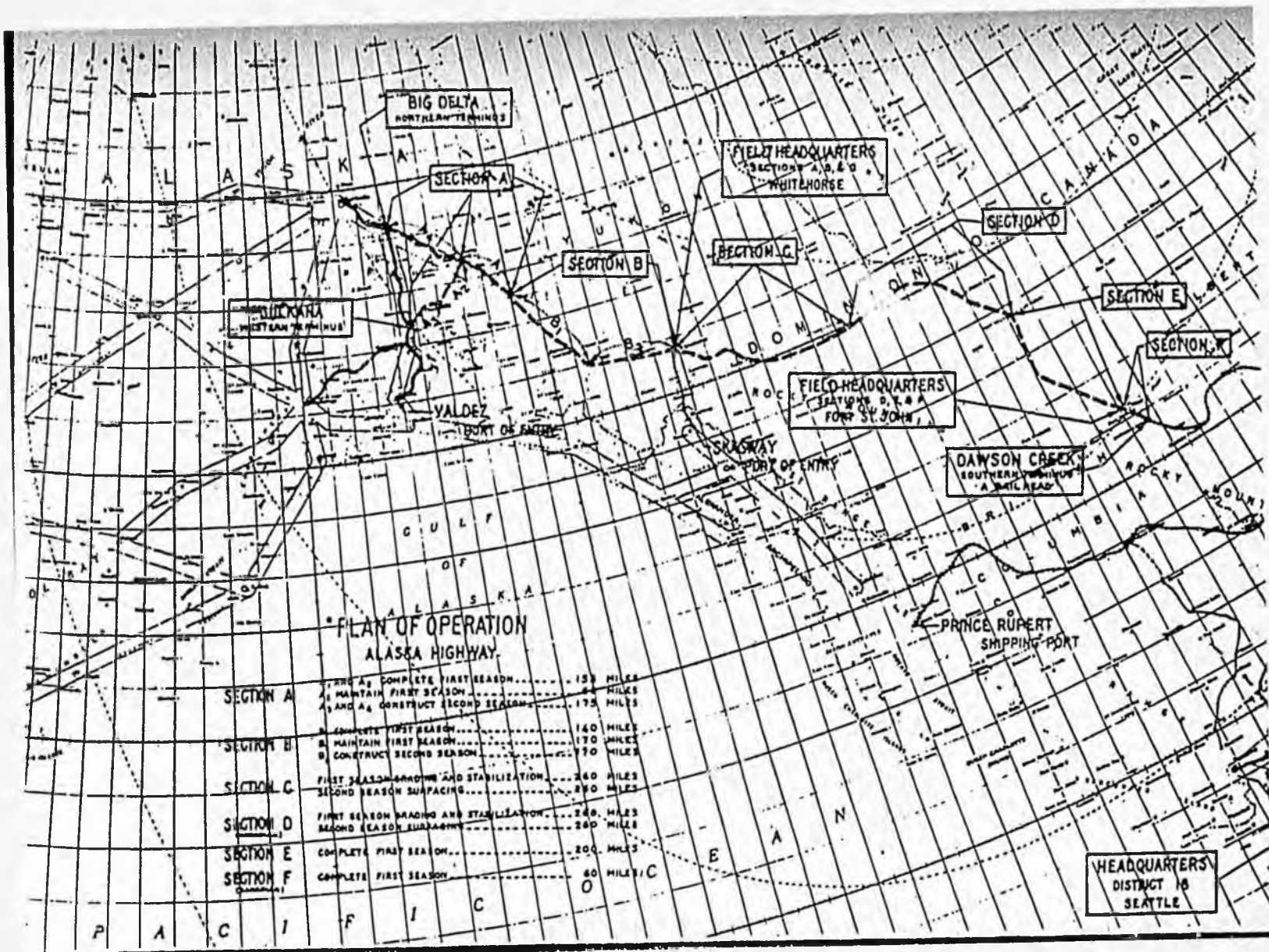
The initial command of the construction project was in the hands of General William M. Hoge, who tried to control the entire length of the route. He set up a southern sector headquarters at Ft. St. John and a northern sector headquarters at Whitehorse. This arrangement did not work due to the scope of the project and in June General Hoge assumed command of the northern sector. Colonel James A. O'Conner took over the southern sector. O'Conner, a 1907 West Point graduate was the engineer in charge of tunneling Corregidor's fortress in Manila harbor. Due to a lack of control over the entire project and to supply problems, a Northwest Ser-

vice Command was established in September, 1942 in Whitehorse with O'Conner, now a general, in charge. The Command was in charge of all U.S. Army activities along the highway and in that part of Canada.

By the first week of February, the President had authorized the army to proceed with all haste to begin construction of the road. It was initially named the Alcan Highway. Emergency funds were allocated and orders were issued to army troops to proceed to the end of rail at Dawson Creek. On March 2, 1942 the first train carrying troops arrived at the town.

There were few reliable maps of the proposed route and only a few trails cut by the local trappers and prospectors. There was a winter trail from Dawson Creek to Ft. Nelson and a wagon road from Whitehorse northwest to Kluane Lake, but not much more.

The 35th Combat Engineers were ordered to proceed to Dawson Creek and then to Ft. Nelson to begin location work in the spring. The 340th General Service Regiment went to Whitehorse and was to build the road south. The



341st General Service Regiment was stationed at Ft. St. John and was to build the road to Ft. Nelson. The 18th Combat Engineer Regiment went to Skagway and traveled the railroad to Whitehorse to build the road northwest toward Alaska.

Those four regiments were thus poised in the spring of 1942 for the great construction job ahead. Twelve hundred miles of road in Canada and over 200 miles in Alaska were to be cut through as quickly as possible. With the addition of three more army regiments, the 93rd, 95th and 97th — all of which were composed of black troops with white officers — the total strength of troops for the construction job in 1942 was over 11,000. The PRA also provided location crews and private contractors during this period.

Dawson Creek in early March was swarming with troops starting up the "road" to Ft. St. John and Ft. Nelson. The road was to follow the winter trail from Ft. St. John past Charlie Lake through thick forests and along ridgetops on the eastern slopes of the Rocky Mountains, crossing

several large rivers and continuing to Ft. Nelson.

Local trappers, Indians and prospectors were pressed into service to help locate the way, although their suggestions for possible routes were not always the most appropriate for a motorized highway. Local packers, with their mule teams were used to help supply the advanced survey parties.

Six hundred thirty-five miles of wilderness stretched from Ft. Nelson to Watson Lake, the first settlement in the Yukon Territory. The highest point of the road crossed Summit Lake at over 4,000 feet. The road then traversed up mountains and down valleys, crossing large rivers and hundreds of small streams. The road followed a general northwesterly direction to Watson Lake. Names such as Trutch, Steamboat Mountain, Toad River, Muncho Lake and the Liard River were etched forever in the minds of the soldiers who labored on the road.

At Lower Post, just south of the Yukon border, the new road followed an old road to Watson Lake, where the route to the northwest

was very unclear. Several routes to Whitehorse were explored and the one finally chosen followed the Rancheria River Valley across the Mackenzie-Yukon River divide, then along the Swift River to Teslin Lake and Marsh Lake. It followed an old prospector's trail to Whitehorse.

From Whitehorse, the road skirted the north side of the St. Elias Range, around the south shore of Kluane Lake, the largest in the Yukon, and crossed the large glacial rivers of western Yukon — the Sims, the Donjek and the White. At the Alaska border, over 1200 miles from Dawson Creek, the route traversed through the Tanana River Valley connecting Northway and Tok to Delta Junction where the road connected with the Richardson Highway, built in the 1920s. Delta Junction is recognized by some

opposite

Surveying to lay out a line for the bulldozers to follow through the dense forest was difficult but necessary. The center line was roughed out on maps but the foot-by-foot line had to be surveyed and investigated on the ground. Members of the 341st Engineers survey between Ft. St. John and Ft. Nelson in May, 1942. USA.

and Fairbanks by others as the official end of the highway.

The soldiers of the army and the civilians of the PRA faced countless days of below zero temperatures, snow, rain, insects and even intense heat coupled with the problems associated with building a road in an unknown environment.

By April, road locaters were working throughout the country with the hum of bulldozers on their heels. Decisions on the route were sometimes made on the spot and if the route was not quite in the right place, the PRA men corrected it later. Workers often climbed trees to figure out the route ahead. Then the bulldozers would cut out a path. Often three to four miles of road were built in a day as the summer daylight hours permitted the men to work 24 hours a day. The big push was to get to Fairbanks as soon as possible with a pioneer road. Local bush pilots were hired to ferry men and supplies along the route. The riverboats along the Yukon's inland rivers and lakes were pressed into service. There was no limit set on

the amount of equipment or money to get the job done. To the old-timers of the north, this American explosion of power and wealth was overwhelming.

There was a race against time in the southern sector as spring thaws made travel over the winter trail in the Ft. St. John to Ft. Nelson area impossible. Supplies had to be stockpiled on the route for the spring and summer construction period.

The most pressing problem along the route was the inexperience of the engineers in building a highway on the muskeg and permafrost. The ground is permanently frozen year around just below the muskeg in many areas along the route and if the top layer is stripped off, which was the case along part of the route, the underlying ground thaws out and produces a quagmire which is difficult to deal with. Ditches were installed to drain off the excess thawing water, but were ineffective. Finally the crews left the muskeg intact and built the road on top of it, laying a roadbed of gravel where needed.

The construction methods took a terrific toll

in men and machines and there were bound to be accidents along the way. One of the worst tragedies occurred at Charlie Lake near Ft. Nelson on May 14, 1942. Eleven men drowned in the lake when their raft capsized. Other men were killed in road accidents or died from the extremely cold temperatures.

The route between Whitehorse and the Alaska border was extremely difficult to work on. There was no adequate route information and the terrain was very difficult to cut a road through. There were miles of swamps, large glacial rivers to cross and much hard rock construction — especially around Kluane Lake. Ice jams in the rivers during the spring breakup were very dangerous. The temperatures in winter fell to 50 degrees below zero and lower. At this temperature, machinery would not function and it was very dangerous to work outside. But the work continued through the early spring, summer and fall, with the road slowly being inched toward Alaska. The troops were building both north and south of Whitehorse, the major supply point of the northern sector, and toward

Whitehorse from Ft. Nelson. Additional troops of the 97th Engineers proceeded north from Valdez, Alaska and started building the road southeast to the Yukon border. The PRA and the Alaska Road Commission personnel also worked to improve the Richardson Highway into Fairbanks.

Finally on September 24, 1942, bulldozer operators of the 35th and 340th Regiments met at Contact Creek (MP 588.1, Km 946.3) to close the southern sector of the road at Beaver Creek, Yukon (MP 1202, Km 1934) on October 20, 1942, when troops working south from Alaska and north from Whitehorse met. Thus the pioneer road had been completed in record time (eight months and twelve days) and an opening ceremony was held at Soldiers Summit on Kluane Lake on November 20, 1942 to officially celebrate the completion of an overland link to northern Canada and Alaska. General O'Connor represented the United States Army and Minister Ian Mackenzie represented Canada along with a contingent of Royal Canadian Mounted Police and American soldiers. This had

been a joint effort of the United States and Canada that probably would have been years off if not sparked by wartime emergencies.

But this was only the beginning as the pioneer road was just that — a partially single lane, very rough road that would have to be upgraded immediately in order to be usable by the increasing military traffic.



Gastineau
Philatelic
Society

P. O. BOX 841st
020641

JUNEAU, ALASKA 99802-0641

January 25, 1987

*Remember
to support*
OFFICE OF

secretary

Jim Duncan
Alaska Senate
Capitol Building
Juneau, Alaska 99811

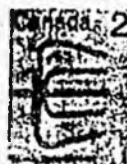
Dear Jim:

I am enclosing a letter we received from the Fort St. John Junior Stamp Club, in regard to a joint Canada-US stamp commemorating the 50th anniversary of the completion of the Alcan Highway. At our last meeting we resolved to support the issuance of a stamp in honor of the great event. The Anchorage Philatelic Society feels the same way.

We believe this to be a very important event, so we are asking your support at this time, and to do whatever is necessary to get it accomplished. I am also writing Fran Ulmer & Bill Hudson. Thank you.

Sincerely yours,

Mrs. Gloria Ahrensfield
Mrs. Gloria Ahrensfield
secretary



FORT ST. JOHN JUNIOR STAMP CLUB

c/o 10003-100th Street

Fort St. John, B.C., V1J 3Y5

Canada



September 30, 1986

Dear Sir/Madam:

The Fort St. John Junior Stamp Club, located at Mile 49 of the Alaska Highway is asking the Governments of Canada and the United States to issue a joint commemorative stamp in 1992 honouring the construction of the Alaska Highway.

In its construction, the Alaska Highway helped to ensure that Alaska and the northwest would remain in Allied hands. It helped to tie down enemy forces and to weaken opposition to the Allied war effort in the Pacific. That a 1,500 mile road was built in some of the roughest terrain and weather conditions known. In the short time of nine months in 1942 was itself an engineering miracle.

Since the end of the war, the Alaska Highway region has seen tremendous development. Today, this Highway carries the lifeblood of the economies of Alaska, Yukon and northern British Columbia along its route. In 1992, we will celebrate the Fiftieth Anniversary of the construction of the Alaska Highway. We have received the support of our regional government, the Peace River-Liard Regional District. Letters have been written to the representatives of other governments along the length of the Alaska Highway. Now we ask that you lend your support to this request by sending a letter of support to the addresses noted below and by making your elected representatives aware that you support the issue of commemorative stamps by Canada and the United States to honour the construction of the Alaska Highway. It would be appreciated if you could send a copy of your letter to the undersigned.

Send your letters to:

Mr. Rene Marin, Chairman
Stamp Selection Committee
Canada Post Corporation
Ottawa, Ontario K1A 0V1

and to

Mr. Belmont Faries, Chairman
Stamp Advisory Committee
United States Postal Service
Washington, D.C. 20260-8452

Sincerely yours,

Phil Cove
Phil Cove
Advisor
Fort St. John Junior Stamp Club

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

H. TRANS. 4-13-87 1:30 p.m.

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/30/87

FURTHER REFERRALS:

4/15
Rule

DATE: April 13, 1987

The Transportation Committee has considered CSSJR 18(Trsp)

Commemorating the 50th anniversary of the construction of the Alaska Highway and requesting the issuance of commemorative postal stamps by the United States Postal Service and the Canada Post Corporation.

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 3/24/87
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

H. Miller

W. L. ...

Bob ...

Bette ...

Bette ...
Chairman's signature



Official Business

COMMITTEE:

House Transportation Committee

DATE: April 13, 1987

SIGN-IN

Subject of meeting:

CSSJR 18: Commemorative Stamp; AK HWY's 50th Year

*HB 213: Allocation of Federal Highway F Funds

NAME Please include title **ADDRESS** Please use full address. Please include zip. **PHONE** **REPRESENTING** **DO YOU WANT TO TESTIFY?**

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
J-W Scribner Admin Dept Commisr.	AK DOT & PF PO BOX 2 TOWN 99811	465-3900	AK DOT & PF	Y (HB 213)
RON Whitcraft STAFF ASSISTANT	to SEN DUNCAN	5-4766		STM 18 Yes
Lyman Holten	112 CAPITOL	4530		Y (HB 213)

* indicates first public hearing

Mr. Speaker;

The Al-Can Highway has been an important lifeline to the development of the economies of Alaska and northwestern Canada. Construction on the highway began in 1942 in response to the bombing of Pearl Harbor which was thought to have laid the entire west coast of the United States and Canada open to a possible invasion from Japan. President Roosevelt felt that access to the Territory was essential to the country's security and a construction plan was quickly put into action. Construction of the highway at that time was considered to be a great engineering accomplishment given the 1500 miles of rough terrain to be covered and the technology that was available at the time.

The 50th anniversary of the construction of the Al-Can Highway is in 1992. In order to recognize this occasion, CS SJR 18 has been introduced to encourage the United States Postal Service and the Canada Post Corporation to coordinate a simultaneous issuance of a United States stamp and a Canadian stamp commemorating the event. Action is required at this time because of the 36 month notice required by the U. S. Postal Service Citizen's Stamp Advisory Committee in Washington, D. C., as it considers requests for the issue of special stamps. I urge your support of CS SJR 18 so that the Alaska State Legislature will go on record as endorsing this action.

~~██████~~

SJR

27



Official Business

Alaska State Legislature

House of Representatives

House Transportation Committee

P.O. Box V
Juneau, Alaska
99811

Phone:
(907) 465-4859

March 30, 1988

*****:*****

COMMITTEE CALENDAR:

SJR 27: Urging the United States Army Corps of Engineers to dredge the shoal developing in St. Paul Harbor, Kodiak.

SJR 68: Relating to radioluminescent runway lights.

HB 544: "An Act relating to civil liability for voluntary aircraft inspection programs."

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

a folder on SJR 27 that includes:

- item #1: SJR 27
- #2: a statement from Senator Zharoff
- #3: fiscal note - DOT/PF
- #4: position paper - DOT/PF
- #5: map of the shoal
- #6: status of the shoal
- #7: correspondences to and from the Governor
- #8: correspondences to and from the Alaska's congressional delegation
- #9: information on the original soundings

a folder on SJR 68 that includes:

- item #1: SJR 68
- #2: fiscal note - DOT/PF
- #3: a statement from Sen. John Binkley
- #4: letter of support - DOT/PF Commissioner
- #5: resolutions and a letter of support

a folder on HB 544 that includes:

- item #1: HB 544
- #2: fiscal note - Dept. of Public Safety
- #3: position paper - Dept. of Public Safety
- #4: background information
- #5: statutes



SENATOR FRED F. ZHAROFF
ALASKA STATE LEGISLATURE

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

18 March, 1988

MEMORANDUM:

TO: Representative Betty Cato, Chair
House Transportation Committee

FROM: Senator Fred Zharoff *FZ/M.T.*

I appreciate your scheduling SJR 27 for review by the House Transportation Committee, and attached you will find back up material relating to this measure.

As indicated in the text of the resolution, a shoal is developing at St Paul Harbor which presents a navigational hazard to the shipping industry serving Kodiak. In an effort to avert potential economic disruption to the region, I have introduced this resolution requesting both the Governor and our Congressional Delegation to urge the US Army Corps of Engineers to initiate a dredging operation as soon as possible.

Michael Thill, of my staff, will be available to discuss this measure with either yourself or your staff.

Again, I thank you for your consideration of this measure.

STATE OF ALASKA 1988 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST 3/30/88

Bill Version: SJR 27
Publish Date: None

Revision Date: _____
Title: Kodiak Harbor Shoaling

Agency Affected: DOT&PF
BRU: _____

Sponsor: Zharoff
Requestor: Cato

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	0
CAPITAL	-0-	-0-	-0-	-0-	-0-	0
REVENUE	-0-	-0-	-0-	-0-	-0-	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	0

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	
PART-TIME	-0-	-0-	-0-	-0-	-0-	
TEMPORARY	-0-	-0-	-0-	-0-	-0-	

ANALYSIS: Assumes no cost to the State if the City of Kodiak acts as Local Sponsor.

Prepared by: William R. Snell (signed) Phone: 266-1440
Division: Regional Director, Central Region Date: 3/30/88

Approved by Commissioner: *M. K. S. H.* Date: 3/30/88
Agency: Department of Transportation and Public Facilities

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

FISCAL NOTE ANALYSIS SJR 27

Current information verifies that the shoal in St. Paul Harbor is growing. However, information gathered by NOAA is not adequate to determine what solution will be best for eliminating the shoal as a hazard to navigation. The Corps of Engineers is prepared to proceed with a Reconnaissance Study under the continuing authority of their Section 107 Program to gather more information about the shoal. The Department of Transportation and Public Facilities (DOT&PF) agrees that there is a need to further study the shoal.

1. Background

During the summer of 1986, a request was submitted to the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA), requesting they study a subsurface formation in Kodiak's St. Paul Harbor.

2. Current Status

NOAA has completed their field work by gathering data on the shoal's formation. NOAA has forwarded copies of their preliminary analysis, as well as copies of their advance final review comments, to the U.S. Army Corps of Engineers as well as SeaLand, Inc., and the shipping company's consultant's Peratovich, Nottingham and Drage. There has been a change in the shoal's formation since 1982 when data was previously gathered.

The shoal is presently outside of the Corps existing project limits for dredging in St. Paul Harbor. However, the Corps of Engineers is prepared to initiate a study project under their Section 107 Continuing Authority Program. The study project has three phases: Reconnaissance; Feasibility; and Construction.

3. Costs

Under the Section 107 Program, the Corps will assume all costs for the first phase of the project (Reconnaissance). It is estimated the Reconnaissance Study will cost the Corps approximately \$50,000. If the Corps determines that the shoal is a hazard to navigation, they will proceed to conduct a Feasibility Study. The preparation of the Feasibility Study will require a 50/50 cost share with a local sponsor. It is our assumption that the City of Kodiak will act as local sponsor. The cost of the Feasibility Study is estimated to total \$150,000. Finally, if it is determined to be in the best interest of navigational safety to proceed with a construction (dredging) project, the local sponsor will be required to share in up to 20 percent of the construction costs. The Corps does not have any cost estimate available for the construction (dredging) phase of the project.

4. Maintenance Costs

The periodic maintenance costs for maintaining the approach channel will be borne by the Corps.



Dept. of Transportation & Public Facilities

POSITION PAPER

BILL NO: SJR 27

TITLE: Dredging of shoal in St. Paul
Harbor, Kodiak

APPROVED: Mark S. Hickey ^{MBA}
Commissioner

DATE: 3/23/87

Current information verifies that the shoal in St. Paul Harbor is growing. However, information gathered by NOAA is not adequate to determine what solution will be best for eliminating the shoal as a hazard to navigation. The Corps of Engineers is prepared to proceed with a Reconnaissance Study under the continuing authority of their Section 107 Program to gather more information about the shoal. The Department of Transportation and Public Facilities (DOT&PF) agrees that there is a need to further study the shoal.

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For further information call Susan Fleischhauer at 465-3900

4. Maintenance Costs

The periodic maintenance costs for maintaining the approach channel will be borne by the Corps.

AUL HARBORS

Sheet is Developing
 900 yds off Face
 of Kodiak Dock,
 and restricting the Turning
 Circle Area
 The NE of the
 Collar Buoy

TIDALS

Mean Low Water		Extreme Low Water	
Mean Low Water	Extreme Low Water	Mean Low Water	Extreme Low Water
4.4	0.0	4.0	-1.0

See Chart No. 1

High Water

the National Ocean
 Corps of Engineers,
 Sounding Agency.

POLLUTION REPORTS

Report all spills of oil and hazardous substances to the National Response Center via 800-424-8002 (toll free), or to the nearest U.S. Coast Guard facility if telephone communication is impossible (33 CFR 153).

Navigation

Light List for
 concerning aids

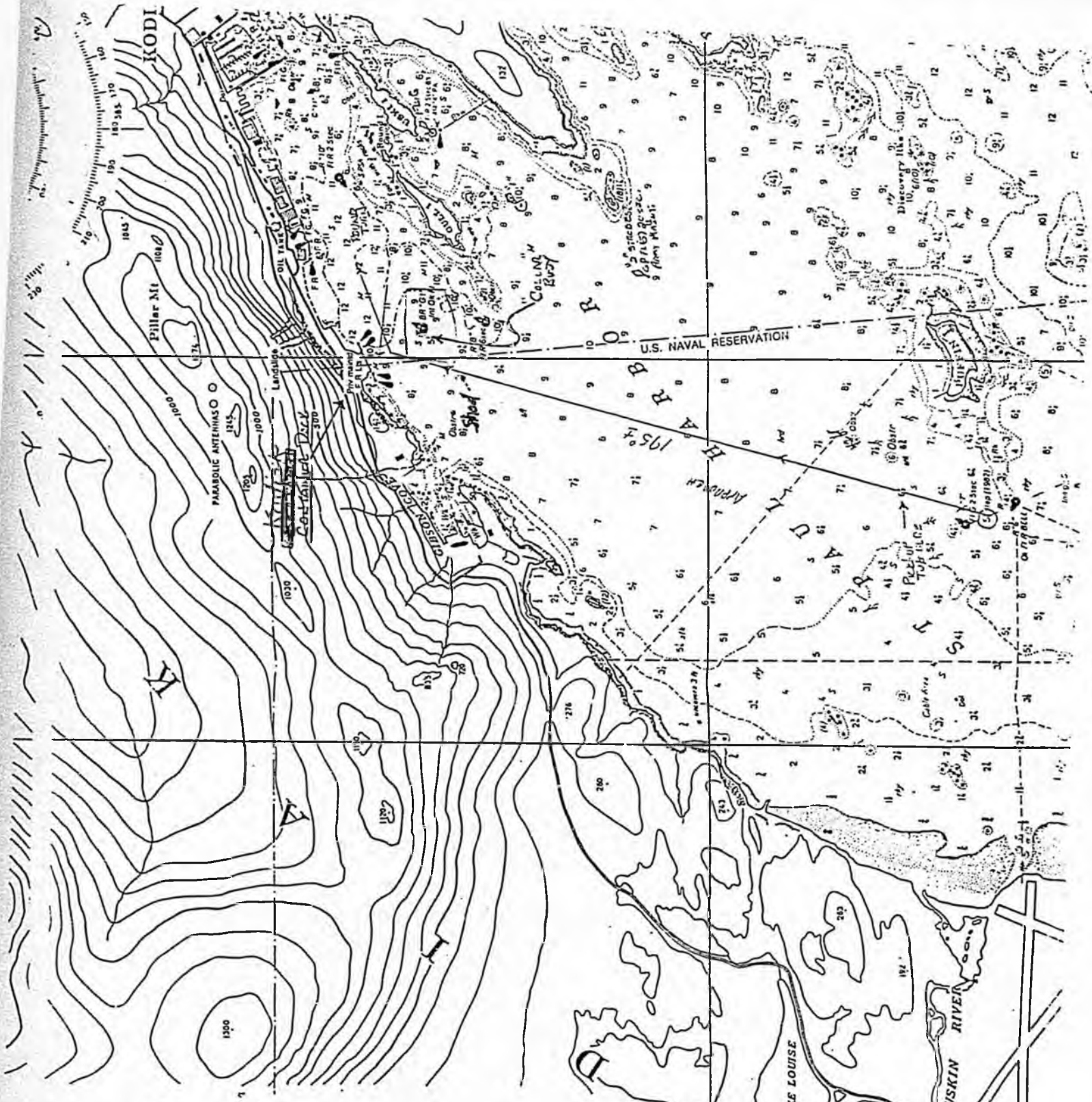
Broken lines are
 at the edges

Significant changes in depths and shoreline have occurred in the area of this chart as a result of the earthquake of March 27, 1964. Charted hydrography in the vicinity of Kodiak Harbor is from post earthquake surveys. Tidal observations since the earthquake indicate bottom subsidence of -5.6 feet at Womens Bay. Mariners are urged to use extreme caution when navigating in other areas of this chart.

There have been collisions on the use of aids to marine navigation in the U.S. Coast and Geodetic Survey Mapping Center

It is to be commended to the U.S. Coast and Geodetic Survey Mapping Center

more location



R22-11

13



ALASKA DEPARTMENT OF TRANSPORTATION

*Follow the progress
of the project*

November 3, 1986

Honorable Fred T. Zharoff
Box 405
Kodiak, AK 99615

Dear Senator Zharoff:

In 1986 we were fortunate enough to obtain soundings of the problem shoal in St. Paul Harbor, as well as soundings in front of Pier 3 and the area off the spit, thanks to your help in getting the ball rolling. We have more work ahead: now we can compare them with the 1983 soundings taken by NOAA, but never published.

This shoal does not seem to go away, and could continue to grow. It is now a hazard to navigation for all vessels entering St. Paul Harbor, because of the narrow range of approach to Pier 3. As you are aware, a vessel must go around the shoal and make a semicircle in approaching Pier 3 in a very small area.

With new ships coming into the Alaska trade, the steamship industry will be further hampered by the confined approach to Pier 3 via St. Paul Harbor. As Kodiak increases its position in the world seafood industry, the larger vessels could be restricted in the use of this vital port. As we all know, the Port of Kodiak will become the "hub" collecting and distributing fish, Alaska's most vital resource, from all of the outports to the domestic and export markets.

Since the U.S. Army Corps of Engineers is responsible for keeping existing waterways open for interstate and foreign commerce, it is essential that we immediately make the following request, through the proper channels.

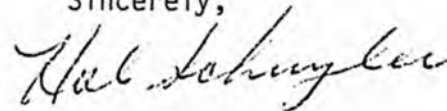
1. You, as the area's State Senator, should immediately request funds from the Congressional Supplemental Appropriations before February 1987 to determine the content of the shoal, by core drilling, as well as total size and an estimate of removal costs. We would then hope to obtain the funds to remove this hazard to navigation in the immediate future.

2. If you write to the Governor, and he in turn writes the two Alaska Senators and one Congressman in Washington, we do stand a chance of getting action in February 1987.

I know you are are aware of the "tricky" navigational problems in St. Paul Harbor, particularly with larger vessels, the tides, and the various changing cross winds experienced in getting a vessel to the dock in such close waters. It is also possible that a grounded vessel could jeopardize the commerce of the Port of Kodiak during a busy shipping season, preventing further use by large seagoing vessels.

Thank you in advance for your assistance on this very important issue. I will be discussing this further with you by telephone as well as in person.

Sincerely,

A handwritten signature in cursive script, appearing to read "Hal Schuyler".

HLS/lc



SENATOR FRED F. ZHAROFF

ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474 • 465-3844 (Labor and Commerce Committee)

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

May 6, 1986

Honorable Bill Sheffield
Governor of Alaska
Box A
Juneau, Alaska 99811

Dear Governor Sheffield:

I respectfully request your assistance in contacting Alaska's congressional delegation and in working with the federal government regarding a matter of great importance to Kodiak Island and western Alaska.

A large shoal apparently is forming 900 yards off the face of the Kodiak dock in St. Paul Harbor. This shoal could jeopardize navigation by restricting the turning circle area. Because of various rapidly changing cross-winds and tidal actions, the Port of Kodiak already is a very difficult port to maneuver in and out of. This shoal makes it much worse.

The shoal appears to be 25 feet under the surface at low tide. Container ships now coming into Kodiak draw between 25 feet and 40 feet. Sea-Land Service, Inc., has plans to replace its current fleet with larger ships that all draw 40 feet. If a ship were to strike the shoal, the southwest entrance to Kodiak harbor could be blocked. The shoal is not shown on existing nautical charts.

The formation of this shoal is a very serious matter for Kodiak. The community and the region, like most of Alaska, is heavily dependent on sea transportation for goods and services. If large ships run into underwater barriers while entering and departing the Port of Kodiak, the effect on the local economy could be devastating. Kodiak is the supply center for the region. It is the shipment center for millions of dollars worth of seafood. If goods cannot be shipped in, and our seafood cannot be shipped out, Kodiak's system of commerce would be destroyed.

At this time, the main problem with the shoal is that we do not have much information about it -- size, how fast it is growing, exact location, etc. Enclosed are copies of the letters I wrote to Alaska's congressional delegation requesting them to explore the possibility of obtaining a supplemental appropriation for Army Corps of Engineers to have the National Oceanic and Atmospheric Administration conduct a survey of the shoal during the course of the agency's planned summer

May 6, 1986

survey work. The cost of the additional survey should be less than \$100,000.

I would be most grateful, Governor, if you could also write to our congressional delegation requesting them to seek funding for the survey. Please contact me if you require additional information.

Thank you for your attention to this important matter.

Sincerely,



Fred F. Zharoff
Alaska State Senate

Enclosure

cc: Commissioner William Knapp
John Pugh, Kodiak city mayor
Sam Gesko, Kodiak city manager
H.L. Schuyler, Sea-Land

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 17, 1986

The Honorable Fred F. Zharoff
P.O. Box 405
Kodiak, AK 99615

Dear Fred,

Staff from the Department of Transportation and Public Facilities has reviewed the information available on the Kodiak Harbor shoal and has talked to Kodiak residents to obtain more current information. As a result of that review, Commissioner Knapp has written to the National Oceanic and Atmospheric Administration (NOAA) requesting assistance on the project to document the shoal and any changes that may be occurring.

To follow up on your specific request that I ask the Alaska Congressional Delegation to seek funding for the project, my staff in the Washington, D.C., office spoke with Senator Stevens' office. It is our understanding that a request was made to the Corps of Engineers that information on the Kodiak shoal be updated and examined and your specific request to help the community develop a plan to prevent the shoal from becoming a barrier to the use of the harbor be considered. The Corps should be replying to that request with whatever current information is available and with some comments about pursuing the mapping of the shoal to determine if it is changing.

When we receive responses from NOAA and the Corps of Engineers, we will relay that information to you. In addition, our staff will continue to work with the Congressional Delegation to ensure continued attention to this problem. In the interim, if I can be of any further assistance in this matter, please let me know.

Sincerely,

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

Bill Sheffield
Governor

MEMORANDUM

State of Alaska
Department of Transportation & Public Facilities

TO: The Honorable Bill Sheffield
Governor

DATE: June 9, 1986


FILE NO:

TELEPHONE NO:

465-3900

SUBJECT:

Kodiak/Harbor
Shoaling

FROM: 
R. O. Knapp
Commissioner

The Department of Transportation and Public Facilities has reviewed a copy of Senator Fred Zharoff's May 6, 1986, letter to you regarding a shoaling problem in Kodiak Harbor. We support the Senator's efforts to gather information regarding the underwater formation's origin and development.

The Department will be notifying the U.S. Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) of the community's interest in studying the subsurface formation. NOAA has an active research program within its Bathymetric Mapping Group and is always interested in identifying conditions affecting current nautical charts. It is possible their upcoming program may allow them to include a reconnaissance of the harbor area this summer.

cc: William R. Snell, Deputy Commissioner, Central Region



SENATOR FRED F. ZHAROFF
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13 March, 1987

The Honorable Steve Cowper
Governor
State of Alaska

Dear Governor Cowper:

This correspondence is a follow up to my letter of November 21st, 1986 concerning the development of a shoal in the St Paul Harbor at Kodiak. As you know, the emergence of this shoal presents an impediment to navigation, with potential for economic disruption to the region. Additionally, harbor navigability is both vital to, and consistent with the policy position taken by the state with respect to development of international export trade.

I respectfully request your assistance in urging support from our Congressional Delegation to request the US Army Corps of Engineers to dredge the shoal at St Paul Harbor. Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred F. Zharoff".

Senator Fred Zharoff

cc: H.L. Schuyler
Sea-Land Service, Inc.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 17, 1987

The Honorable Ted Stevens
United States Senate
522 Hart Building
Washington, DC 20510

Dear Senator Stevens:

During the last few months there have been a number of contacts between our offices regarding the development of a hazard to navigation in Kodiak's St. Paul Harbor and the need for the gathering of data on the subsurface formation. We want to thank you for your previous support of our requests to study the shoal.

Since our previous contact, the National Oceanic and Atmospheric Administration (NOAA) has completed a series of soundings on the shoal. It is our understanding that the information has been forwarded to the U.S. Army Corps of Engineers. Preliminary analysis indicates the shoal has changed in formation since sounding studies were conducted in 1983. Since the change in the formation's shape can now be substantiated, we believe it is important to continue to determine the impacts of the shoal on navigation.

We are requesting your support in encouraging the U.S. Army Corps of Engineers to select the project for further study under their Section 107, Continuing Authority Program. Under the Section 107 program, the Corps will be able to conduct a reconnaissance study to determine the shoal's particular characteristics and identify some possible solutions to mitigating its impact on navigation. It is only by proceeding with the reconnaissance study that we eventually may be able to determine the best solution for removing the shoal.

Your support of this request will be appreciated.

Sincerely,

S/S Steve Cowper

Steve Cowper
Governor

cc: Senator Fred Zharoff
Alaska State Legislature