

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990

8672

6664 SENATE STATE AFFAIRS

1068

2.9.90

(PHIL -  
Copy of Draft 206)

SB 301 - PCE L

- Pat: Intro'd Report and SS

~~FOSTER~~ Time is right  
~~Alan Mitchell~~ Jan Report recommendations  
Supports: 1. To eliminate fed. subsidies

Concerns 2. How to make pro-rata reductions  
When  
Implementation may be problematic

Supports 3. reduce cap  
? < 4.

Supports 5. would improve equity

ON SS

Line 22. Page 3      Page 5 - lines 27, 28  
comm to auth

Comm. supports Areka amendments:

Alan Mitchell  
Energy Credit Program

SB 301

Disbursement formula is not questioned,  
He questions structure of the formula.  
Current program is not efficient/equitable

- Inequities in various utilities production of energy
- "Current prog. discourages improvement"

Decouple PCE rate from actual cost of utility.  
 Determine rate by size and location.  
 ↳ would lower cost of program

Current system does not encourage efficiency.

Need to create incentive to conserve elec.  
 Formula based on size and location  
 ↳ lower admin costs

Summary

Credit on customer's bill ~~unchanged~~ unrelated to consumption. A portion of

LeRosche:

Communities with PCE still pay twice what "urban" are.  
 Inequity among villages - some 6 times as much as another village

Recs

Supports (1) with Foster concerns

Supports (2) as is

Neutral (3) - normally increase incentive to conserve.  
 If budget cut, best way

Neutral (4) - same

? (5) Questions

LaResche

Change Sec. 3.5. — old bill

Build incentive

RAT = raise entry level, annually  
recalculate

Make entry rate based on all non-PCE  
utilities. Should be weighted by size

JACK Kreinheder

Concurs with LaResche

Gov's bill in 1987 on PCE  
based on budget shortfall.

Gov. would not support.

SB 301 reflects 30% reduction:

Gov's budget gave full funding  
to PCE

Avoid rate shock

Rec's

① Fuel subsidies belong in those  
budgets not in PCE program

3/4 ~~of~~ Phase in approach  
"Bonus Ladder"

— 100 kilowatts per year

Rate Shock —

multiplied impact  
+ commercial users

Concern — cutting program from the  
bottom to the top

Reduce cap/not raise floor.

SSSB 301 —

Purpose — not to kill PCE, believes in program but reaching point where reductions are being considered.

Senator Zharoff requested a study of all subsidy programs in the state — asks committee to take into consideration including Cook Inlet Gas.

Linda Stewart: RAPA

Concerned

- requests that extensive interim hearings

Dave Hutchins: ARECA

15 co-ops — 7 are PCE

Areca does NOT advocate funding cuts.

Amendments:

Report — Recs

- ① Agreement with APUC and AEA but problem in smaller villages, school is essential part of the load. If eliminate, schools should be required to stay on.

Pat > ~~generator~~ cost of generator is not part of comparative rates. (Unsophisticated methods of cost analysis by schools)

- ② Prioritize consumer classes. (Don't like from administrative view)  
Rate instability for consumers, dependent on funding level.

③ Reduce cap to 500 KW p. month —  
It cuts must be made — most  
members see as reasonable.  
(Phase in not a good idea)

④ Reduce cap on comm. facilities —  
minimal affect (PATT: get out now before  
getting painful)

⑤. Entry level ~~workable~~  
Workable approach  
Statewide average  
Letter of Intent — spelling out how to  
AK. Ea Power Statistics

Arka:

95% to cost but not to rates  
problem w/in system.

set statewide  
average.

162(d.)

Amend to allow Copper Valley Electric  
to ~~bring~~ come into system.  
Large Gap between Copper Valley and next out,  
Kodiak. (\$540,000 with SS charges)

Page 4 — Notification requirement —  
too long, too much.

Willy Goodwin — Kotzebue  
— AK. Mayors support PCE —  
opposed to 301  
— Change from 700KW to 500KW: rec's  
phase in

Senator Zharoff:

PCE "REPORT"

from FY 81 - 2.6 mil

to FY 90 - 18 mil

16 utilities

Nowaa " serving 167 communities  
40-50 ~~not~~ villages not on,

Consumption Rate: not much control

Bob Martin TH<sup>o</sup>EA

Average 454

100 Ref

60 Furnace

100 Stove

40 Lights

~~40~~

10 Coffee

10

15 Stereo

30 Dishw

30 Dryer

140 Freezer

400 Hot Water

→ reduced fuel cost  
mean reduced PCE  
but reduced  
operating costs  
mean saving.

Gov's Administration

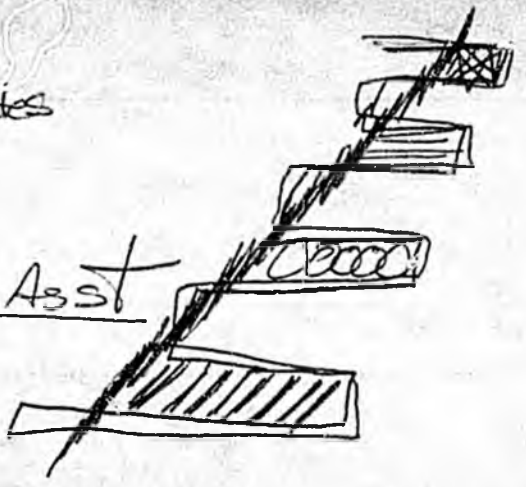
Robert Wilkinson

Copper Valley - 2500 Members

Debt Service - flows back in

Eliminated on basis of generation  
facility

~~\_\_\_\_\_~~  
Kuagluk = MR. Guy <sup>rates</sup>  
Against SB 301  
Help with technical Asst



44¢ per KW of

VILLAGE PARTICIPATION CONFERENCE RESOLUTION # 90 - 4

ENTITLED: In support of the Power Cost Equalization (P.C.E.) Program as currently authorized.

WHEREAS, Senate Bill 301 is currently trying to amend the PCE Program; and

WHEREAS, The power costs in rural Alaska villages are extraordinarily high on per capita basis; and

WHEREAS, The rural communities would face financial hardships by having the P.C.E. Program reduced to 500 KWH; and

WHEREAS, The rural communities and School Districts would face financial hardship by the increased costs of electrical power; and

WHEREAS, The schools would be required to reduce quality educational services; and

WHEREAS, Rural residents have fixed incomes and a high rate of unemployment.

Now therefore be it

RESOLVED: That the 1990 Village Participation Conference hereby opposes any attempt to reduce the P.C.E. Program as presently funded and statutorily regulated; and

be it further

RESOLVED: That the Village Participation Conference specifically opposes Senate Bill 301.

ADOPTED this 23rd day of February, 1990 at the Village Participation Conference in Juneau, Alaska.

---

Chairperson  
1990 Village Participation Conference

VILLAGE PARTICIPATION CONFERENCE RESOLUTION # 90 - 23

ENTITLED: A Resolution in support of the Power Cost Equalization (PCE) Program as Currently Authorized.

WHEREAS, The PCE Program is the highest priority rural energy program statutorily authorized in 1984, currently benefits residential and commercial electric utility customers in 120 rural communities; and,

WHEREAS, The existing PCE Program statutes have greatly assisted residents and businesses in paying for the high cost of electrical power in rural Alaska, which in turn financially assists rural electric utilities; and,

WHEREAS, SB 301 proposes to amend the existing PCE statutes which will reduce the eligible KWH levels and funds paid by PCE to residential and commercial customers under the program; and,

WHEREAS, The required yearly funding level for the PCE program is not drastically increasing; and the new PCE regulations, efficiency improvements to rural electrical systems, bulk fuel purchasing and better O & M practices, are having a positive impact by increasing energy efficiency, reducing fuel costs and lowering the cost of the PCE program.

Now therefore be it

RESOLVED: That the 1990 Village Participation Conference strongly recommends that the PCE statutes remain as currently enacted and that SB 301 or other legislation proposing to amend the PCE program not be passed, and

be it further

RESOLVED: That sufficient funding continue to be made available for energy efficient electrical system improvements and that the PCE program be funded by the Legislature at \$10.8 million in FY 91.

ADOPTED this 23rd day of February, 1990 at the Village Participation Conference in Juneau, Alaska.

---

Chairperson  
1990 Village Participation Conference

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ADVERTISING  
ORDER**

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Senate State Affairs Committee  
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Susan Barnett

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REQUISITIONED BY:

DIVISION APPROVAL

THE SENATE STATE AFFAIRS COMMITTEE  
will host public hearings on  
Friday, February 16, 1990

**Intrastate Long Distance  
Telephone Competition**

1:00 PM to 2:30 PM  
and

**Power Cost Equalization**

2:30 PM to 3:30 PM

Anchorage Legislative Information Office  
3111 C Street, Ground Floor Conference Room  
Teleconferenced to Juneau and other cities upon request

For more information contact:

Sen. Pat Pourchot, Chairman 465-3712

3100722

FROM  
Legislative Affairs Agency  
Senate State Affairs Committee  
PO. Box Y  
Juneau, AK 99811

AGENCY CONTACT  
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CHARGED PRIVATE INDIVIDUALS.

SUBSCRIBED AND SWORN TO BEFORE ME  
THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 19\_\_\_\_

NOTARY PUBLIC FOR STATE OF \_\_\_\_\_  
MY COMMISSION EXPIRES \_\_\_\_\_

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**310**

SENATE STATE AFFAIRS COMMITTEE

CS  
BILL NUMBER SB 310

SPONSOR Transportation Committee

BILL TITLE Ferries, Ferry Terminals and establishing  
the AK. Marine Highway Authority

DATE REFERRED 2.9.90

HEARING SCHEDULED 3.16.90

FISCAL NOTE PREPARED DOT - update requested by Charlie. 3.10.90

SPONSOR CONTACTED Jones - Charlie

INTERESTED PARTIES CONTACTED

• DOT - Katie McHugh - Position Paper → Charlie Miller  
Jim Ayers:

OTHER

# Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman  
Sen. Al Adams  
Sen. Tim Kelly  
Sen. Rick Uehling



P.O. Box V  
State Capitol  
Juneau, Alaska 99811

907-465-3712

## Senate State Affairs Committee

### MEMORANDUM

TO: Senate State Affairs Committee Members  
FROM: Senator Pat Pourchot  
RE: Friday, March 16 Committee Hearing  
DATE: March 15, 1990

On Friday, March 16 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:  
TELECONFERENCE; Public testimony.

CSSB 310. An Act relating to the Alaska Marine Highway System Commission.  
Originally, SB 310 established an authority to operate and manage the Alaska Marine Highway System (AMHS), with a legal existence independent of and separate from state government. The proposed CS would establish a seven member commission, within DOT/PF, to hire the director, to set policy and to make recommendations regarding operation of AMHS. The commission will be charged with developing and updating a long-range plan. The proposed CS combines elements of SB 310 and SB 473, Senator Duncan's bill which proposed a 5 member commission.

CSSB 485. An Act relating to the Telecommunications Information Council and the provisions of information services by the Department of Administration.  
The proposed CS adds a public member to the Telecommunications Information Council (TIC) and adds two non-voting legislators. The major provisions are to establish an improved tracking system of information services revenues and expenditures, to allow for a review and approval process of fees and surcharges by the TIC and to define requests for services and expenditures in annual budget requests. This is the second hearing for SB 485, the Department of Administration has clarified that it is in support of this bill.

CSSB 222. An Act relating to smoking in certain vehicles and indoor places.  
Current smoking law specifies certain public places and vehicles in which smoking must be regulated by designating smoking and non-smoking areas and prohibits all smoking in certain areas i.e. elevators. This bill adds the following to the "designated" areas list: interstate flights, post-secondary educational institutions and adult day care facilities, correctional facilities and a Pioneers Home. This bill would add to the "prohibited areas" list: elementary schools, pre-schools, daycare facilities (during hours of operation in private residences), state meeting rooms, health care related areas i.e. doctor's waiting rooms, hospital lobbies. CSSB 222 also requires consideration of non-smokers needs when designating a smoking area and repeals the statute that gives the Rules Committees the authority to designate smoking and non-smoking areas.

# Alaska State Legislature



SENATOR JIM DUNCAN

P. O. BOX V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:  
FINANCE  
VICE CHAIR —  
HEALTH EDUCATION  
& SOCIAL SERVICES  
BUDGET & AUDIT  
BANKING &  
ECONOMIC  
DEVELOPMENT

TO: SENATOR PAT POURCHOT  
CHAIR  
SENATE STATE AFFAIRS COMMITTEE

FROM: SENATOR ~~JIM DUNCAN~~

REGARDS: CS SB 310

DATE: MARCH 14, 1990

I URGE FAVORABLE CONSIDERATION OF THE PROPOSED COMMITTEE SUBSTITUTE FOR SENATE BILL 310 BY THE SENATE STATE AFFAIRS COMMITTEE.

THE ORIGINAL INTENT OF SB 310 AS INTRODUCED BY SENATOR LLOYD JONES WAS TO ESTABLISH THE MARINE HIGHWAY SYSTEM AS AN INDEPENDENT AUTHORITY. LEGISLATION I INTRODUCED THIS YEAR ENVISIONED A LESS DRAMATIC STEP. SB 473 CALLED FOR A COMMISSION APPOINTED BY THE GOVERNOR WHO WOULD IN TURN APPOINT THE SYSTEM DIRECTOR.

THE PROPOSED COMMITTEE SUBSTITUTE COMBINES SENATE BILLS 310 AND 473. ITS ENVISIONED AS AN ACHIEVABLE, INITIAL STEP FOR STABILIZING SYSTEM MANAGEMENT.

THIS APPROACH WILL PROVIDE CONTINUITY OF MANAGEMENT IN ORDER TO PROMOTE EFFICIENCY IN THE OPERATION OF THE SYSTEM. CURRENTLY, SYSTEM MANAGEMENT CHANGES WITH EACH CHANGE IN THE STATE ADMINISTRATION AND OFTEN TIMES MORE FREQUENTLY. THIS MEASURE IS INTENDED TO PROVIDE AN OVERLAPPING OF SYSTEM MANAGEMENT FROM ONE ADMINISTRATION TO THE NEXT. THIS IS A NECESSARY STEP TO ALLOW MANAGEMENT TO DEAL WITH THE IMPORTANT ISSUES NOW FACING THE SYSTEM. THERE'S A NEED FOR LONG TERM PLANNING, MAINTAINING AN ADEQUATE LEVEL OF FUNDING, IMPROVING SERVICE, AND DEVELOPING A PLAN FOR REPLACEMENT OR REFURBISHMENT OF THE FLEET. STRONG AND LONG TERM MANAGEMENT BETTER INSULATED FROM THE POLITICAL PROCESS IS NEEDED TO DEAL WITH THESE ISSUES.

THE BLENDING OF SB 310 AND SB 473 INTO THE PROPOSED COMMITTEE SUBSTITUTE BEFORE THE STATE AFFAIRS COMMITTEE FOR CONSIDERATION IS AN EXCELLENT WAY TO PROVIDE THE CONTINUITY IN MANAGEMENT NEEDED TO ADDRESS THE ISSUES AND CONCERNS NOW FACING THE ALASKA MARINE HIGHWAY SYSTEM.

*Amendment passed: effective date Jan. 1, 1991 (Kelly amendment)*



Greater Ketchikan Chamber of Commerce  
P.O. Box 5957, Ketchikan, Alaska 99901  
(907) 225-3184

**ALASKA MARINE HIGHWAY SYSTEM  
RESOLUTION**

WHEREAS: the Alaska Marine Highway System was created by the people of Alaska to provide a transportation system for and through coastal Alaska; and

WHEREAS: the Alaska Marine Highway System is the primary mode of transportation to towns, villages and cities located along the vast coastline; and

WHEREAS: the economies and the well-being of the people of these communities as well as interior communities, are heavily dependent upon the services provided by the Alaska Marine Highway System; and

WHEREAS: the enhancement of existing industries, such as fisheries, tourism, timber, mining and commerce, is dependent upon adequate and consistent marine transportation; and

WHEREAS: tourism and freight demand for the Alaska Marine Highway System continue to grow, even during the decline of other sectors of the economy; and

WHEREAS: a decrease in the service of the Alaska Marine Highway System causes the economies of coastal communities to slow down and suffer; and

WHEREAS: the Alaska Marine Highway System returns more than 60% of the funds appropriated for its use to the State treasury, after creating jobs and providing services to Alaskans in a myriad of ways; and

WHEREAS: the Alaska Marine Highway System is in dire need of redirection; and

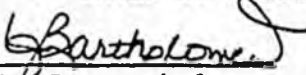
WHEREAS: unless prompt action is taken to address the overall problems of the Alaska Marine Highway System, no amount of maintenance management will prevent the demise of one of Alaska's major assets; and

WHEREAS: because the ferry fleet is an integral part of the Department of Transportation and Public Facilities, its administration and directives are essentially political rather than business oriented; and

WHEREAS: the Alaska Marine Highway System should be permitted to manage its cash flow and operate in a business-like manner, rather than being dependent for 100% of its funding from the General Fund;

THEREFORE, BE IT RESOLVED: the Greater Ketchikan Chamber of Commerce recommends that the Alaska State Chamber of Commerce urge the Alaska State Legislature to establish an Alaska Marine Highway Authority as a public corporation of the State within the Department of Transportation and Public Facilities.

DATED AT KETCHIKAN, ALASKA this 7th day of November, 1989.

  
L. J. Bartholomew  
President  
Greater Ketchikan Chamber of Commerce



Ketchikan Resolution

# ALASKA STATE LEGISLATURE

While in Ketchikan  
352 Front Street  
Ketchikan, AK 99901  
907-225-9675



While in Juneau  
P.O. Box V  
Juneau, AK 99611  
907-465-3743

Senator Lloyd Jones

March 19, 1990

## MEMORANDUM

To: Senator Pourchot, Chairman  
Senate State Affairs Committee

From: Senator Jones *LJ*

Subj: CSSB 310

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The committee substitute bill SB 310 would establish a seven member commission to hire the director of the Alaska Marine Highway System and set long term policies, as well as give advice and recommendations on operation of the ferries. The system would remain within DOT/PF.

This new measure will give the AMHS a more consistent management structure that will be needed to cope with the many challenges and opportunities on the system's horizon. Many serious issues will have to be dealt with in the coming years. Vessel replacement and/or refurbishment, other capital investment necessities, dwindling State revenues that will impact funding for all programs, and long range planning needs are just some of these important concerns.

Replacing the director with every change in the Commissioner of DOT/PF or Governor's office simply does not allow continuity of direction, management or purpose. The director must be assured of the opportunity to not only implement positive changes in the system, but the time and resources to carry them out.

With this in mind, Senator Duncan and I have been working on the draft committee substitute for SB 310. The new bill combines elements of SB 310 and SB 473, different measures that address the problems of disjointed long term policy and inconsistent management of the Alaska Marine Highway System. We feel that this new legislation is a positive and achievable step towards ensuring a better management function for our ferries.

Hired by AK. Marine Hwy —

AKERS REPORT

Summer, 1989  
AKERS Marine Consulting Cos

# TABLE OF CONTENTS

Page

1 - INTRODUCTION . . . . .	1
2 - EXECUTIVE SUMMARY . . . . .	2
2.1 - AMHS Management . . . . .	2
2.2 - Accounting System . . . . .	2
2.3 - Procurement . . . . .	3
2.4 - Current Maintenance Practices . . . . .	3
2.4.1 - Ship . . . . .	3
2.4.2 - Shore . . . . .	4
2.5 - Management/Staff Relationships . . . . .	4
2.6 - Maintenance Management . . . . .	4
2.7 - Risk Management . . . . .	5
2.8 - Stores . . . . .	5
2.9 - Spares . . . . .	6
3 - COMPONENT REVIEW . . . . .	7
3.1 - AMHS Management . . . . .	7
3.1.1 - Separation from DOTPF . . . . .	7
3.1.2 - AMH to Retain Funding . . . . .	9
3.1.3 - Create a Lean, Efficient and Professional Marine Management Team . . . . .	9
3.2 - Accounting System and Cost Control . . . . .	13
3.3 - Procurement . . . . .	14
3.4 - Management/Staff Relationships . . . . .	15
3.5 - Maintenance Management . . . . .	17
3.5.1 - Ship . . . . .	17
3.5.2 - Shore . . . . .	20
3.6 - Risk Management . . . . .	21
3.7 - Stores . . . . .	24
3.8 - Spares . . . . .	25
3.9 - Contracts . . . . .	26
4 - RECOMMENDED ACTION . . . . .	28
4.1 - Implementation within 6 Months . . . . .	28
4.2 - Implementation as soon as Possible . . . . .	29
5 - APPENDICES . . . . .	31
Ship Maintenance Request Forms	
Monthly and Weekly Engineers Reports	
Chart of Accounts	
Procurement Documentation	

1. PROFESSIONAL SERVICE   
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b. <input type="checkbox"/>	COMPETITIVE SEALED PROPOSAL	d. <input type="checkbox"/>	SOLE SOURCE
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RESULTING IN AN:

f. <input type="checkbox"/>	INITIAL CONTRACT
g. <input type="checkbox"/>	AMENDMENT NO. _____
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(INCLUDE ALL RENEWAL OPTIONS) (MONTH/YEAR) (MONTH/YEAR)

PROCUREMENT AWARDED IN-STATE: YES  NO

ITEM OR SERVICE PROVIDED BY PROCUREMENT (What and Where):

PROCUREMENT OFFICER: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

## 1 -- INTRODUCTION

As one aspect of assessing cost control within the Alaska Marine Highway System (AMHS) Acres is undertaking a feasibility study into a maintenance management system (MMS).

The second report in this study is a Component Review of the AMHS that discusses current systems and practices and identifies changes that may be needed in order to enable an MMS to be introduced.

## 2 - EXECUTIVE SUMMARY

The AMHS is a system in dire need of redirection. Unless prompt action is taken to address its overall problems, no amount of maintenance management will prevent the demise of one of Alaska's major assets - the Marine Highway.

The system cannot be run as an adjunct to the bureaucratic process, dependent for 100% of its funding from the General Fund and not being permitted to manage its cash flow and operate in a business like manner. Unless separation can be achieved from DOTPF the condition of the fleet both physically and in terms of morale will continue to deteriorate.

### 2.1 - AMHS Management

Management of the AMHS must be established to manage a ferry fleet - not a Federal Highways program. It is essential that adequate expertise, effort and direction be available to run the vessels, which are after all the backbone of the system. A comparison of current management and an outline of an appropriate management structure and justification is provided in section 3.1.

### 2.2 - Accounting System

Efforts are being made, in which Acres has been involved, to redirect the capture and reporting of financial data within an appropriate chart of accounts. Without the ability to record and analyze cost and revenue data within logical areas, management cannot function.

An overview of an outline chart of accounts, and a discussion of the need for such an organization of cost and revenue capture is provided in section 3.2.

### 2.3 - Procurement

Unlike roads and terminals, a shipping operation is dynamic and as such requires its managers to respond promptly to operational needs. The procurement system under which the AMHS operates creates both time delays and needless increased costs. There are mechanisms by which the AMHS can meet the prerogatives of state purchasing policy, and at the same time operate the fleet efficiently. Section 3.3 addresses this issue.

### 2.4 - Current Maintenance Practices

#### 2.4.1 - Ship

Essentially the chief engineers along with the senior heads of departments have had ultimate responsibility for keeping the ships operating. Shore operational staff have been and are unable, because of limited resources, to do other than respond to emergencies and provide temporary band aids to shipboard problems.

Thus each ship has had to develop maintenance procedures that are responsive to the unique needs of the vessel, and the chief engineer's perception of its maintenance requirements. This has been possible only because of the very low turnover of AMH crews. However it has resulted in individually effective policies that are non-portable between vessels, and are only incidentally responsive to the needs of the system as a whole.

#### 2.4.2.- Shore

Shore maintenance requirements are presently limited because of the replacement of existing facilities has only recently been completed. However needs of the newer sophisticated systems will begin to grow in the next 2-3 years and the current organization is unlikely to be able to cope.

Section 3.4 addresses current maintenance practices.

#### 2.5 - Management/Staff Relationships

There is an extraordinary degree of mistrust between ship and shore that has its root in the overall relationship between management and staff.

Ship systems and operations cannot function in isolation from the shore, both are interdependent. There must therefore be an effective dialogue between the two, outside of contract negotiations. Planning forums for the ship to understand managements prerogatives, and the shore to respond to ongoing needs of each vessel are essential.

The division of the two into employer and employee camps must cease and ship personnel be made fully aware that their input to both the short and long term planning process is both understood and appreciated. Section 3.5 expands on the topic.

#### 2.6 - Maintenance Management

A corporate maintenance management system, that is integrated with effective management of the fleet, can materially assist in cost containment and vessel life extension programs.

However, as some other fleet operators have discovered, introduction of maintenance management is just one aspect of a thorough overhaul of the total management system. See Section 3.6.

## 2.7 - Risk Management

Under normal circumstance Risk Management and maintenance management are only peripherally connected. However in a ferry fleet, because of the human element and the number and complexity of fire and safety systems that must be maintained. The two cannot be separated.

At the present time, the AMHS is piggybacked onto the state Risk Management activity which becomes a part of overhead. As a result of this separation little thought appears to be given within the AMH to the implication to the State of even a minor incident on one of the vessels. Safety and safety systems must be a day to day concern of both deck, stewards engine room and shore management. It should not be considered only when USCG inspection comes around or after an incident, see Section 3.7.

## 2.8 - Stores

Ship stores are one of the few areas that can reasonably be handled by a bid process. However, as in other areas there must be a counter balance achieved between price and quality. This is particularly important with, for example, food items which are the point of contact with the passenger and an important element in the well being of the crew. If quality is reduced to minimize costs, then complaints will escalate disproportionately to the saving.

Just as in other areas, procurement must be done by qualified people who are able to make, and justify, decisions not to use a low bidder.

The present procurement process is crippling the fleet and leading both to increased direct costs and paperwork. Neither are necessary.

Clear policies must be set out that permit the fleet to operate safely, efficiently and economically, but at the same time maintain the spirit of the state's fair bidding process.

Section 3.9 sets out a recommended policy, without which an MMS cannot function.

Both the spares and the stores function will be seriously impacted by the decision to move terminal operations to Bellingham.

### 3 - COMPONENT REVIEW

#### 3.1 - AMHS Management

Current management of the AMHS is inadequate to the needs of the fleet and would not be able to gain any benefits from a maintenance management system.

There are three steps needed to save the fleet from an early demise

- 1) separate the AMHS from the DOIPE
- 2) enable AMH to retain revenues
- 3) create a lean, efficient and professional marine management team.

Unless this process can be achieved, and soon, there is little hope for the continuation of an effective fleet, and no hope for an MMS.

#### 3.1.1 - Separation from DOIPE

Because the ferry fleet is an integral part of the Department of Transport and Public facilities, its administration and directives are essentially political rather than business orientated. While the State had access to unlimited funding, this situation did not matter much, funds could be found to implement directives.

However reducing funding while at the same time imposing more and more public burdens on the fleet (e.g KSI) creates intolerable pressures.

The fleet cannot, on the one hand, save money while on the other spend additional sums through state programs. Either greater funds are provided or the AMH must be able to manage itself in a business like manner.

### 3.1.2 - AMH to Retain Funding

The AMH is remarkable in that given the social obligations of the service, it is able to return close to 60% of its operating costs. By comparison Marine Atlantic, a Crown Corporation in Canada returns less than 40% of its costs.

The AMH may never, because of the social obligation nature, its route and service characteristics, be able to return a profit on operating costs. However it could return better than 70% given the opportunity to manage itself in a business like manner.

An essential part of this is to enable the AMH to retain its revenues. Without that there is no incentive for management to maximize revenue and the current situation will continue to apply - minimize costs at all cost.

There will need to be top up funding by the state, but this top up will be a known and budgeted amount each year. It can be negotiated as part of the agreement to establish a separate entity.

CIP funding can still be utilized for life extension and major refurbishment programs, with the AMH knowing in advance, how much would be available and being able to budget accordingly. The planning process for this work would also benefit from better operational input.

### 3.1.3 - Create a Lean, Efficient and Professional Marine Management Team

Current management and staffing for administrative purposes is outlined in the organization chart on the following page. From this outline it will be seen that there are only two persons with

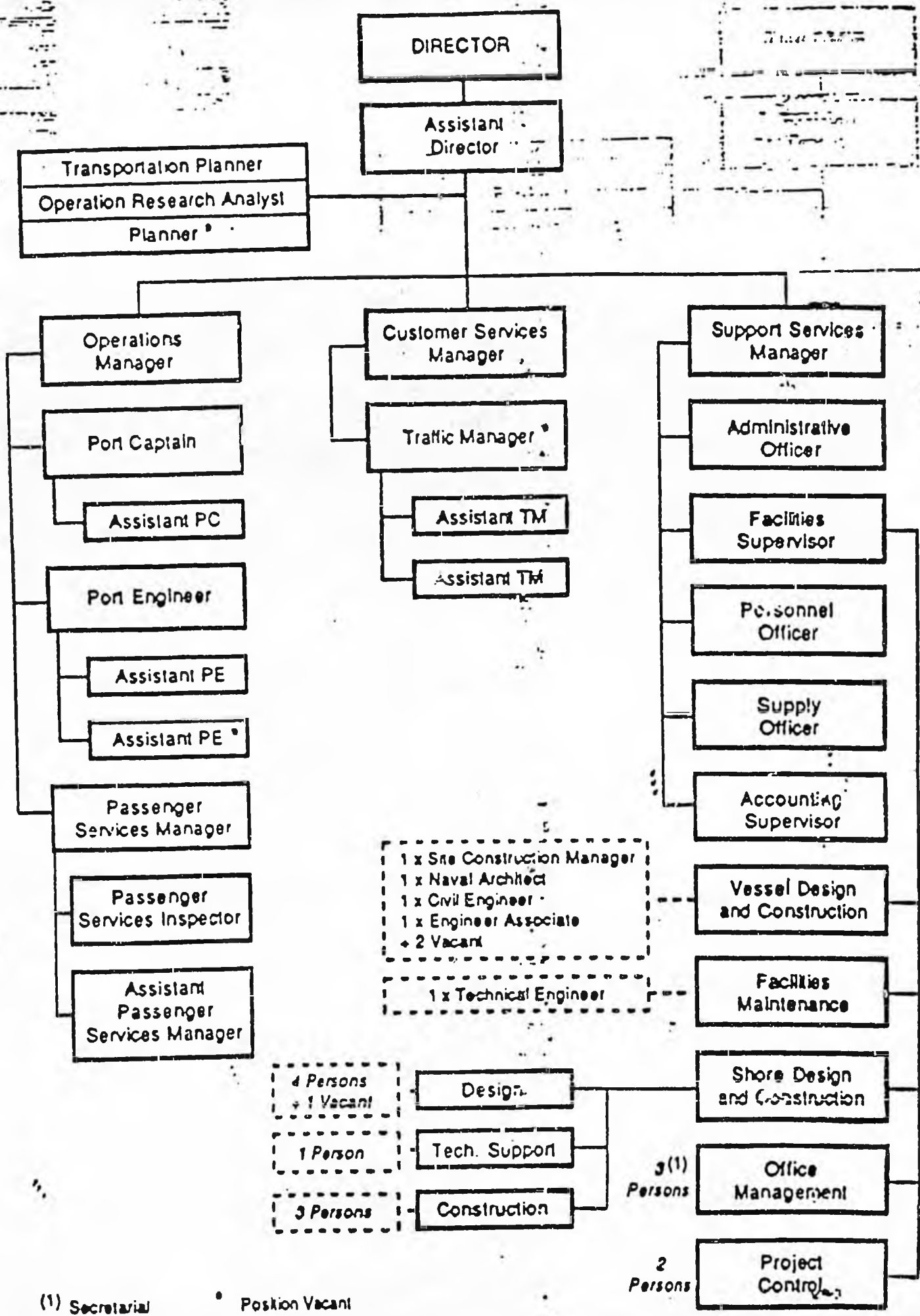
direct-marine experience involved in running the maintenance activity of a fleet of nine ageing ferries, plus one person responsible for crewing and deck department.

On the other side of the fence there are 5 persons involved in vessel design and construction, only one of whom has any direct qualifications for such activity. There are a further 8 persons there are in shore design and construction.

There are innumerable other persons involved in different support areas, but the basic operation of the fleet comes down to a totally insufficient core group of 5 marine professionals. This group is too small to do other than react to emergencies, it cannot plan for effective future maintenance and operational activity of the fleet. Without reinforcement with good calibre marine professionals it will be unable to support the fleet let alone administer an MMS. Other fleets reviewed relative to their use of MMS consider it important to have no more than three ships assigned to an individual asst. port engineer. A revised management structure and staffing is provided.

Capital projects appear to be developed and progressed without the benefit of any input from the ship involved or operations. Nor is there any effort to undertake a life cycle costing exercise to determine, over time, what the alternatives are and what the least cost solution will be.

At present money is wasted because of a lack of feedback between departments relative to CIP projects, many of which appear to be unnecessary in the form in which they are implemented.



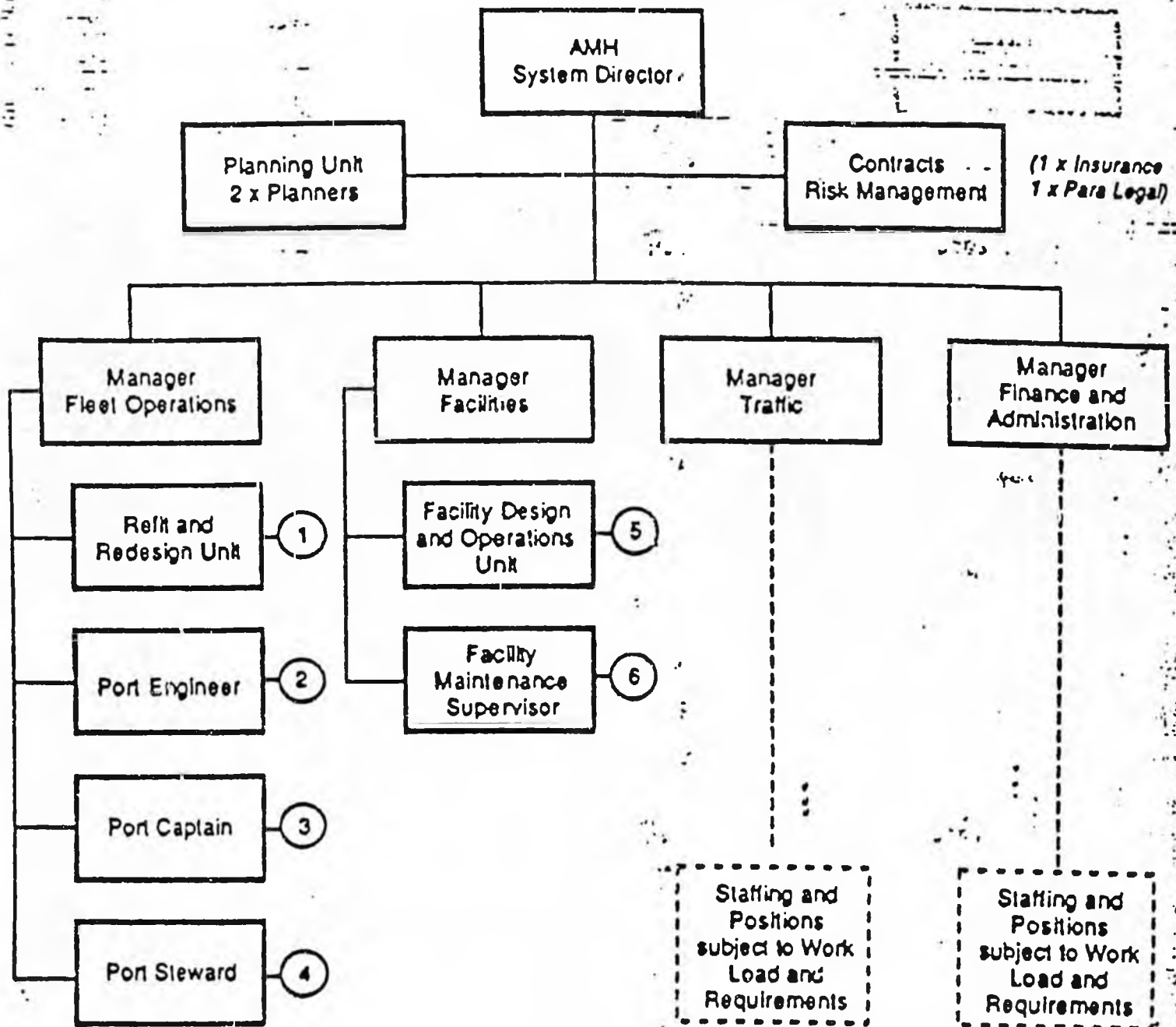
(1) Secretarial

\* Position Vacant

3 (1) Persons

2 Persons

# RECOMMENDED FUTURE AMH MANAGEMENT STRUCTURE



① Naval Architect x 1  
Marine Engineer x 1

② Assistant Port Engineer SW, based in Valdez  
Assistant Port Engineer x 2 in Ketchikan  
Procurement x 1 in Ketchikan  
Storeman x 1 in Ketchikan  
Technical Procurement x 1 in Bellingham

③ Assistant Port Captain x 2  
Safety Officer x 1

④ Assistant Port Steward x 2  
Hotel Supplies Procurement x 1 in Bellingham

⑤ Civil Engineers x 2  
Technical Assistance x 1

⑥ Assistant Facility Supervisors x 2

For any major project, the project team should consist of the ship department head involved, representatives from Port Engineer, Port Captain and Port Steward as appropriate, the CIP project manager, planning and contracts. In this way the CIP project manager has the benefit of operational advice relative to the activity being considered; the implications relative to ship support are fully understood; planning is able to develop a fully built up future cost rationale for different solutions that enable informed choices to be made; contracts have an experienced review panel available to make sure all eventualities are covered, and last, but not least the ship is involved in the process from beginning to end, leading to better relationships between ship and shore.

### 3.2 - Accounting System and Cost Control

At the present time the AMHS knows how much was spent in any given year, but not the detail of where it was spent. Some sections can be identified - for example fuel and personal services. Some detail is potentially available e.g. Stewards and Pursers supplies, but all detailed data is suspect because of the extraordinary complexity of the coding process for access to AKSAS.

A steamship accounting system is unique only in the sense that it has more relationship with other transportation systems such as air or rail than it does with conventional business accountancy. Thus the chart of accounts for the AMHS must reflect, both on the cost and revenue side, the unique requirements of financial reporting for a ferry fleet.

A logical framework, which need not exceed 7 digits, but can be used at a much higher level, is all that is required to provide managers with realistic data within each department; By integrating this coding system with the MMS, invoices can be readily assigned to the

appropriate department and budget allocation versus actual costs retrieved readily by ship or fleet at any point in time.

Acres has prepared, and submitted on March 22nd a preliminary chart of accounts that uses a logical breakdown of areas to provide the essential detail needed.

These codes may be used in conjunction with AKSAS to enable management to retrieve data on a timely basis and have on-line access to high quality comparative information. Because of the lack of historical data, budgeting for future costs is almost impossible, except on a guesswork basis. Thus a ship orientated cost capture system will assist in identifying areas where excessive costs are involved.

### 3.3 - Procurement

The current procurement policies mandated for the fleet have imposed a crippling time and paperchase burden on the proper functioning of the AMHS. They also lead to increases - rather than decreases, in the cost of maintenance and operation.

It must be recognized that a ferry fleet operates 365 days each year with many thousands of pieces of equipment that are essential to its safe and effective operation. Much of this equipment is sole source and cannot be bid in a conventional manner. Operations management must therefore be free to make decisions that are in the best interests of the fleet and the state.

This is not to suggest that operations and vessels should have carte blanche to purchase whatever, whenever and wherever, but that there should be a sensible set of policies laid down that are easy to administer and enable the fleet to be operated effectively.

There must also be a recognition that stores and spares are two different areas. Consumable stores may be planned, while spares and parts are, at the present time totally unplannable. In the future, the introductory of an MMS will increase the proportion of preplanned spares and thus the quantity that can be bid under state procurement policies, but an MMS will never eliminate the need for ship and shore to respond promptly to specific requirements.

There should be an agreed list of sole source vendors for unique items that cannot be bid in a conventional manner. For spares and maintenance on these items it should be agreed that operations has the freedom to order when needed. This sole source listing could be made available on demand and made subject to an appeal process. Examples are MAK engine components and Syncrolifts for the terminals.

There should be an agreement that certain circumstances will preclude the normal bid process. These might be:

- . Ship Safety
- . Ship Certification
- . Ship Scheduling
- . Traffic Emergencies.

Purchasing limits for direct purchase without quote, purchase by telequote, purchase under state purchasing guidelines, must be set at realistic levels and either updated annually to reflect cost increases, or reviewed at no less frequently than 2 year intervals to set new levels.

### 3.4 - Management/Staff Relationships

Disillusionment of ship crews in management is so great, it is difficult to see how, with the present set up there can be any meaningful dialogue relative to maintenance management. There is,

---rightly or wrongly, a pervasive belief that much of management is unable or unwilling to comprehend the needs of the fleet. There certainly appears to be too little contact between operators and the fleet (which is understandable given the work pressures they are under) and no contact whatsoever with senior management, planning and contracts people.

No fleet can effectively operate without regular feed back between ship and shore. This feed back comes in two forms:

1) Regular meetings of heads of departments

The Chief Stewards meet annually, but Masters, Chief Engineers and Pursers do not appear to have the opportunity for such meetings.

2) Riding the vessels

Management must be out in the fleet more to be able to understand crew positions on issues and appreciate the impact of what is being planned or considered relative to individual vessels and the fleet as a whole. Operations must have the time to be able to do this and so must senior management and planning.

The concept of ship maintenance requests (SMR's) is good. However there is too little feed back to the ship relative what will or will not be implemented and the reasons. In the absence of firm information it is human nature to think the worst and come, perhaps, to unwarranted conclusions.

The "Matanouska" experiment in January this year is a step in the right direction, but does not enable specific policy issues to be addressed on a departmental basis. While such meetings may have a place in management/staff relationships they cannot be the sole forum.

Maintenance Management will require detailed discussions at a departmental level both at the concept stage and during implementation, to ensure that the principles are understood and concerns are properly addressed.

The current maintenance efforts are in a state of turmoil because of newly mandated purchasing policies that make it almost impossible for the ships to be maintained in a timely and cost effective manner.

The discussion in section 3.3 of this report on procurement addresses this vital issue.

### 3.5 - Maintenance Management

#### 3.5.1 - Ship

Maintenance Management on the Alaska Marine Highway currently only exists at the ship level for regular planned maintenance activity. There is no effective preventative maintenance system in place within the system for either ship or shore equipment.

Methods of handling planned maintenance are as numerous on there are ships and chief engineers. However, from the simplest blackboard system to the most sophisticated, using PC's, they achieve their purpose of reinforcing the chief engineer's understanding of the machinery and equipment in his care.

However the present ship systems are almost exclusively organized to meet the needs of the engine room and do not extend to deck machinery, Galley, Hotel items etc. Thus there is no comprehensive ship system in the vessels.

Because of the varying degrees of sophistication in planned maintenance activity within the fleet, a full featured MMS introduced across the fleet would be doomed to failure. The approach must be to provide a system that can effectively be used at as simple or as complex a level as the chief and his 1st engineer require and are prepared to support. The incentive must always be there to make use of all the systems capabilities; but it should function adequately even if only the top one or two levels are being used.

While there is some weekly and monthly reporting by engineering crew to management, there is insufficient manpower in head office to undertake even minimal analysis.

There is general acceptance and interest in the possible introduction of a comprehensive system that could, through different attributes, be used widely on the ship. For example Pursers and Stewards departments have indicated that various aspects of their documentary work could readily be "computerized".

An essential starting point for any planning exercise is an understanding of the condition of the asset base for which the plans are being formulated. While this is available, in terms of annual inspection reports for marine facilities, nothing is available on the fleet. ABS and USCG inspection reports simply record whether or not the vessel meets statutory criteria for classification or certification purposes, at the point of inspection. They do not offer an opinion and are not part of a planning document.

The AMH needs complete independent condition surveys on each vessel to be able to commence the planning process for both regular maintenance and major refit work. These condition surveys, together with commentaries provided by chief engineers, master, 1st mate, Port

Engineer, Port Captain and Port Steward will provide an essential-basis for ship history files that do not at present exist.

Information derived from these documents enables management to determine corrective maintenance-requirements to bring the vessel up to a "bench mark" condition. Future planned and preventative-maintenance and refit activity may then be measured against this benchmark and be planned from it.

Current reporting from the ship is in the form of weekly and monthly reports. If there are major problems while the ship is underway, then a Coast Guard incident report must be filed.

Weekly Report

Non mandatory in terms of content and thus its use as a fleet planning and vessel history document is limited. Current content of the single page (letter size) report includes the following:

- . Personnel Changes
- . Fuel Bunkered
- . Fuel Used
- . Summary of major work undertaken.

Monthly Report

Is mandatory in terms of content, but is primarily fuel orientated with fuel bunkered and location, on hand start and end month, used per day and per mile. Lube oil consumption Engine and Auxiliary running hours. No details are requested on non routine maintenance. Copies of representative monthly and weekly reports are incorporated with this review in the appendices.

## Engine Logs

Engine logs are stored in Juneau. These should however be retained in the Port Engineers office in Ketchikan and form part of each vessel's machinery history.

Some monitoring of machinery condition is accomplished through Lubricating oil analysis. However no trend analysis is undertaken within AMH and because of the varying labs involved, consistent histories are not available. If lubricating oil analysis is to be used as a component of machinery condition trends, then consistent comparative histories must be maintained and used.

### 3.5.2 - Shore

As noted previously facilities conduct an annual condition survey for each terminal. Two maintenance runs are made each year plus any emergency work that is needed by a contract crew from Public Facilities. The crew is part of the group which supports all public buildings within S.E. Region. Regulatory requirements are nominal and involve only OSHA, who inspect infrequently.

Systems involved in the maintenance requirements included Emergency generators, electronic controls, 3 Synchrolift systems, hydraulic systems, coating systems, Cathodic Protection.

A formal MMS that incorporated shoreside equipment would be valuable in being able to generate a maintenance calendar and history for each item. With more sophisticated machinery and equipment now in place, a more comprehensive work order and work description orientated system will be needed that will supercede earlier "lubricate and check" procedures. Facilities maintenance are moving in this direction and will need a formal system within the next 2-3 years as original components wear and require replacement.

### 3.6 - Risk Management

AMH Marine risk includes standard Hull and Machinery, Pollution, Protection and Indemnity, to \$200 million. There is a \$1 m dollar retention or deductible on each incident which is self insured by the Department of Risk Management. FY 1990 premium will be \$2.8m which, given the size, age and operating characteristics of the fleet is excellent, although it apparently does not cover full replacement value of the vessels.

In general, maritime law has tended to limit shipping companies liability for loss or damage arising out of a marine incident, in the absence of actual fault or privity on the part of senior management. Historically it has been sufficient for management to be able to demonstrate that it believed it had appointed a competent master, for this limitation of liability to be accepted.

However precedent in recent years, as established (as in the cases of the "Marion", Garden City" and "The Lady Gwendolyn",) has considerably reduced the efficiency of the historic argument. This may be summarized by the UK House of Lords in the case of "The Lady Gwendolyn" wherein it was stated:-

"It seems to me that any company which embarks on the business of shipowning must accept the obligation to ensure efficient management of its ships if it is to enjoy the very considerable benefits conferred by the Statutory right to limitation".

"The Lady Gwendolyn" was the first case in which the responsibilities of management were spelled out, the subsequent cases of the "Marion" and the "Garden City" consolidated the premise into both the need to establish proper controls and to ensure that the requirements of those systems and controls are being followed. For example Exxon will find it hard to limit liability in the Valdez spill because the master was known to have had a "substance abuse" problem.

Risk Management for a ferry fleet and safety, in its broadest sense, go hand in hand. First it is necessary to identify the risk. On the AMHS, with a high proportion of retired people on board at all times and all embarkation/disembarkation via the car deck, there is a very real risk of injury simply in getting on and off the ships. Other matters that can increase risk are:

- Hold down chains
- Oil, water or ice on decks or lack of, non slip paint
- Cramped stairways
- Loose or inadequate hand rails
- Lack of signage or lighting
- Unmarked doorsills and stairways
- Loose chairs or tables
- Lack of a clear access route for foot passengers
- Poor emergency information.

The list is endless, but very real in the ability of a minor defect to create a major claim.

The ship operator must thus minimize those risks that are unavoidable, and seek to diminish the impact of any problem that may occur.

Some measures may be taken to minimize risk and adequately prepare management should a problem occur.

1. Issue, and keep updated on a regular basis, a book of standing instructions for each vessel in the fleet.
2. Keep informed of developments relative to tort or negligence, transportation regulatory matters, and marine and liability assurance.

3. Establish procedures for compiling investigative reports of any incident to ensure a balanced view is available. These procedures should include witness statements and the proper approach to these statements.
4. Hold seminars and workshops on legal and insurance matters for management and senior crew. The Purser and Stewards departments need to be intimately involved in these discussions.

These seminars should cover personal injury situations as well as vessel collision/stranding and vehicular damage scenarios.

The above commentary has covered, primarily, the risk of passenger injury and the impact on the AMH. However both management and senior deck and engine crew need to be aware of the extent of more conventional coverage for Hull and Machinery damage, Pollution liability and Protection and Indemnity coverage. The same procedures should be followed in terms of keeping informed of developments and making sure that each year the coverage is known and understood.

The AMH should also have instituted a set of formal guidelines relative to operation of the vessels and that these follow Coastguard requirements and specific service characteristics of the route.

Exemplary areas are:

- . Navigation equipment fully functional
- . No port departures on one engine
- . Propeller pitch fully functional
- . Limiting conditions for entrance crossings
- . Limiting conditions for areas of extreme tidal flows.

The best approach to these guidelines is via regular masters and chief engineers meetings, which should be held on an annual basis. In this way operating guidelines can be changed as Coastguard rules change, or service conditions change with new terminals.

### 3.7 - Stores

Stores are regular consumable items that can be predicted with some certainty, acquired in large volumes and warehoused by the AMH against need.

Examples are:

Deck Stores	Paint Cordage
Engine	Rags Solvents Lubes and Greases Nuts, bolts, O rings, clamps
Galley	Food Items Galley and Cafeteria Supplies
Stewards	Linens Soaps Cleaning Materials

Budgets can be set and a cost control system readily instituted. In fact many of the existing line items in the AMH module of AKSAS address stores items on each ship in the fleet.

Accounting should have a good knowledge of stores requirements, budget and achievement levels for every vessel over time. Engine stores will require locations to be found and formalized within each ship. See next section for more detail.

### 3.8 - Spares

The supply of spares in any fleet operation is a major problem that can only be partially resolved by an PMS. With a lack of commonality through the fleet in term of machinery and equipment, it is not really possible to achieve as good a central spares depot as might be desired. However it is possible to achieve some preplanned stocking of essential spares on both a ship by ship basis and a fleet basis.

At present spares are stored on board each ship, except for major items such as spare propellers and tail shafts and some engine and miscellaneous spares which are warehoused in Seattle. There is an urgent need to inventory this equipment and determine what is appropriate to the fleet and what may be sold or traded.

Because of the procurement system thrust on the AMH, there will be a tendency of the ships to overorder (i.e a just in case policy) on major spares items that are critical to ship operation, but which would involved major hassles if ordered on a just in time basis. Thus a sympathetic system relative to spares ordering will in fact reduce costs. The AMH will also have to be prepared for considerable increase in cost and logistical problems relative to spares with the move to Bellingham. Where a supplier or agency could supply material virtually on call in Seattle, the three hour drive to Bellingham will make it necessary for a full day plus travel costs and possibly accommodation costs to be charged against a service call.

#### Shipboard Spares

Only the "Columbia" has a single custom made stock room for ship board spares. Other ships e.g "Taku" have fabricated locations, but most store spares in many locations. As a result finding a spare part that is known to be on board becomes a major problem.

Each vessel will need to be reviewed relative to available space and parts needs and store rooms fabricated and outfitted. It will not be possible to concentrate everything in one place (there is insufficient space available) without affecting revenue earning space. However much better organization can be provided and the spares and engine stores activity streamlined.

### 3.9 - Contracts

At the present time contracts prepared by facilities and planning are far too complex and contain a considerable amount of non-essential and inappropriate language. At a rough estimate, in excess of 60% of contract sections are unnecessary relative to a marine job.

On the other hand contract documents prepared by marine operations, while simpler and more to the point, omit many background clauses that provide both guidance and protection relative to shipyard bid work.

The optimum contract is thus somewhat more comprehensive than present operations documents, but significantly less bulky than facilities contracts.

Standard contractual language and formats may be included in an MMS that will ensure a workable document is produced. We would recommend that AMH submit a selection of contract documents to two Consulting Marine Engineering companies for review and preparation of standard clauses relative to work which the AMH has undertaken by outside vendors. In preparing these documents, it should be kept in mind that the more complex and onerous the document, the greater the cost to AMH, without any material improvement in the product.

Contracts should contain clauses relative to:

- . Good workmanship
- . Welder qualification ABS certified or equivalent
- . Adherence to recognized quality standards e.g. AQAPI or an acceptable quality control manual
- . Paint systems to be applied within manufacturers requirements for surface preparation, humidity and temperature
- . Requirements relative to weld testing (ASTM) for all steel work
- . A realistic approach to liquidated damages. Daily rates should at the very least equate to earning capacity of the ship on a daily basis.

Unless work needs are highly specific, the AMH should avoid, to the extent possible, detailed design or over complex specification relative to shipyard work. Performance language places responsibility with the shipyard and gives the AMH more control in the event of an incomplete or unsatisfactorily completed project.

All contractual shipyard work requires proper supervision to both ensure completion is to satisfactory standards and is either within budget or has minimal overrun. This activity can only be effectively undertaken by qualified marine personnel. Use of contract personnel on a consulting basis is recommended as reinforcement to the Port Engineers Staff. Such involvement should not exceed 2% of contract value and will save more than this amount in eventual costs.

#### 4 - RECOMMENDED ACTION

##### 4.1 - Implementation within 6 Months

- (i) Overhaul procurement process in conjunction with operations to develop a responsive process for obtaining stores and spares that are needed promptly.

The basic criteria have to be:-

- (a) How long will the state procurement process take?
- (b) How soon are the items needed?

If (b) is less than (a) then procurement must proceed via an expedited route.

- (ii) Inventory ship stores and spares in Seattle, Ketchikan and Juneau. Determine what is needed in each location, whether none or more of Seattle spares can be moved to Bellingham or Ketchikan. Request list from ships of all onboard stores and spares by department. Request ships to give details of where and how they could provide proper stores and spares storage.
- (iii) Overhaul ship safety procedures. A knowledgeable senior marine person with the fleet should be designated as safety officer and given time, budget and staff support, to review current procedures and introduce in conjunction with the vessels "Standing orders".
- (iv) Contract for baseline surveys of each ship in the fleet. This activity is essential for any MMS. This activity should cost no more than \$30,000 over all vessels and would include written detailed reports, with recommended remedial action. Work will probably need to be spread over 12 months in order to permit

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with dry-dock and afloat inspections. The inspections should include a current resale value and a replacement value on each vessel and should be undertaken as if the AMH were buying the vessels from a third party and wished to be made aware of all and every identifiable problem relative to each ship.

Implementation as soon as Possible

Reorganize the management structure to be responsive to the needs of running a ferry fleet. This will require more people in marine operations and less in other areas. See management structure.

Commence approaches regarding separation of AMH from DOTPF into state corporation. The Alaska Railroad can be used as a model.

Introduce a simplified accounting system that properly identifies the functional areas of the ferry operation.

Establish a system by which meaningful, regular exchanges between ship and shore can be undertaken.

EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

CAPT. & C/E BENEFITS  
DECK CREW BENEFITS  
ENGINE CREW BENEFITS  
STEWARDS DEPT. BENEFITS  
CATERING STAFF BENEFITS

LS - CONTROLLABLE OVERTIME

CONTROLLABLE OVERTIME

CAPT. & C/E OVERTIME  
DECK CREW OVERTIME  
ENGINE CREW OVERTIME  
STEWARDS DEPT. OVERTIME  
CATERING STAFF OVERTIME

S - DECK CREW WAGES

DECK CREW WAGES

OFFICERS WAGES  
AB WAGES  
OS WAGES

LS - ENGINE CREW BENEFITS

ENGINE CREW BENEFITS

ENGINEERS BENEFITS  
MECHANICAL ASSISTANTS BENEFITS  
OILERS BENEFITS  
ELECTRICIANS BENEFITS

ELS - STEWARDS DEPT. OVERTIME

STEWARDS DEPT. OVERTIME

PURSER'S OVERTIME  
CLEANING STAFF OVERTIME  
OTHER HOTEL STAFF OVERTIME

FOURTH LEVEL - PERISHABLE PRODUCE

15100 PERISHABLE PRODUCE  
15110 MEAT  
15120 POULTRY  
15130 FISH & SEAFOOD  
15140 DAIRY PRODUCTS  
15150 FRESH FRUITS  
15160 FRESH VEGETABLES

TERTIARY LEVEL - RISK MANAGEMENT

16000 RISK MANAGEMENT  
16100 P AND I INSURANCE  
16200 HULL & MACHINERY  
16300 3RD PARTY LIABILITY  
16400 CATASTROPHIC RISK  
16500 STRIKE INSURANCE  
16600 EXCESS LINES

TERTIARY LEVEL - FUEL

17000 FUEL  
17100 MAIN ENGINES  
17200 AUXILIARIES  
17300  
17400

FOURTH LEVEL - MAIN ENGINES

17100 MAIN ENGINES  
17110 NAVIGATING CONSUMPTION  
17120 MANOUVERING CONSUMPTION  
17130 IN PORT CONSUMPTION

FOURTH LEVEL - AUXILIARIES

17200 AUXILIARIES  
17210 NAVIGATING CONSUMPTION  
17220 MANOUVERING CONSUMPTION  
17230 IN PORT CONSUMPTION

TERTIARY LEVEL - STATUTORY SURVEY & INSPECTION

18000 STATUTORY SURVEY & INSPECTION  
18100 HULL  
18200 MACHINERY  
18300 ELECTRICAL  
18400 PASSENGER SPACES  
18500 SAFETY EQUIPMENT  
18600 NAVIGATIONAL EQUIPMENT

FOURTH LEVEL - MACHINERY

18200 MACHINERY  
18220 TAIL SHAFT SURVEY  
18230

SECONDARY LEVELS - SHORE FACILITIES

20000 SHORE FACILITIES  
21000 PERSONAL SERVICES  
22000 REPAIR & MAINTENANCE  
23000 STORES & SUPPLIES (DOCK)  
24000 STORES & SUPPLIES (SERVICE AREA)  
25000 FOOD SERVICES  
26000 RISK MANAGEMENT ALLOCATION  
27000 POWER & UTILITIES  
28000 STATUTORY SURVEY & INSPECTION  
29000

TERTIARY LEVELS - REPAIR & MAINTENANCE

22000 REPAIR & MAINTENANCE  
22100 MOORING & FENDERING  
22200 PASSENGER & VEHICLE TRANSFER  
22300 PASSENGER & VEHICLE WAITING  
22400 DOCK DECK & CATWALKS  
22500 SUPPORT STRUCTURE  
22600 DOCK ACCESS

SECONDARY LEVELS - ADMINISTRATION & PLANNING

40000 ADMINISTRATION & PLANNING  
41000 VESSEL OPERATIONS  
42000 CUSTOMER SERVICES  
43000 SUPPORT SERVICES  
44000 BUDGET  
45000 PLANNING  
46000 SYSTEM DIRECTOR

TERTIARY LEVELS - VESSEL OPERATIONS

41000 VESSEL OPERATIONS  
41100 PERSONAL SERVICES  
41200 COMMUNICATIONS  
41300 OFFICE SUPPLIES, EXPENSES  
41400 TRAVEL  
41500 OUTSIDE SERVICES  
41600

FOURTH LEVELS - PERSONAL SERVICES

41100 PERSONAL SERVICES  
41110 PORT CAPTAIN  
41120 PORT ENGINEER  
41130 PORT STEWARD

TERTIARY LEVELS - SUPPORT SERVICES

43000 SUPPORT SERVICES  
43100 PERSONNEL SERVICES  
43200 COMMUNICATIONS  
43300 OFFICE SUPPLIES, EXPENSES  
43400 TRAVEL  
43500 OUTSIDE SERVICES  
43600

FOURTH LEVELS - PERSONNEL SERVICES

43100 PERSONNEL SERVICES  
43110 ADMINISTRATIVE OFFICE  
43120 PROCUREMENT & SUPPLY  
43130 PERSONNEL & LABOUR RELATIONS  
43140 FINANCE  
43150 FACILITIES SUPERVISOR  
43160

SECONDARY LEVELS - CAPITAL IMPROVEMENT PROJECTS

60000 CAPITAL IMPROVEMENT PROJECTS  
61000 VESSELS  
62000 SHORE FACILITIES

TERTIARY LEVELS - VESSELS

61000 VESSELS  
61100 HULL, WEATHERDECK SUPERSTRUCTURES  
61200 PROPULSION & MANOUVERING  
61300 MAIN ENGINES  
61400 AUXILIARY MACHINERY  
61500 ELECTRICAL  
61600 VEHICLE SPACES & ACCESS  
61700 PASSENGER SPACES & ACCESS  
61800 CREW SPACES  
61900 DRY DOCKING

TERTIARY LEVELS - SHORE FACILITIES

62000 SHORE FACILITIES  
62100 MOORING & FENDERING  
62200 PASSENGER & VEHICLE TRANSFER  
62300 PASSENGER & VEHICLE WAITING  
62400 DOCK, DECK AND CATWALKS  
62500 SUPPORT STRUCTURE  
62600 DOCK ACCESS  
62700 WAREHOUSE FACILITIES  
62800 OFFICES  
62900

FOURTH LEVELS - PASSENGER SPACES

61700 PASSENGER SPACES  
61700 DINING AREAS  
61720 LOUNGES  
61730 BARS  
61740 GALLEY  
61750 STATEROOMS  
61760 PUBLIC WASHROOMS  
61770 PROMENADE AREAS  
61780

FIFTH LEVELS - STATEROOMS

61750 STATEROOMS  
61751 PLUMBING  
61752 ELECTRICAL  
61753 ACCESS  
61754 FURNISHINGS & DECORATION  
61755 STRUCTURE  
61756 STORAGE  
61757

SECONDARY LEVELS - REVENUES

7000 REVENUE  
71000 SOUTHEAST PASSENGER & VEHICLE REVENUE  
72000 SOUTHEAST CABIN REVENUE  
73000 SOUTHWEST PASSENGER & VEHICLE REVENUE  
74000 SOUTHWEST PASSENGER & VEHICLE REVENUE  
75000 VENDING MACHINE REVENUE  
76000 VIDEO GAMES REVENUE  
77000 CAFETERIA REVENUE  
78000 BAR REVENUE  
79000 DINING ROOM REVENUE

TERTIARY LEVELS - SOUTHEAST PASSENGER & VEHICLE REVENUE

71000 SOUTHEAST PASSENGER & VEHICLE REVENUE  
71100 ITEM ADT: PASSENGER 12 YRS AND OVER REVENUE  
71200 ITEM CHD: CHILDREN 6 THROUGH 11 YRS OLD REVENUE  
71300 ITEM AMC: ALTERNATIVE MEANS  
71400 ITEM 710: VEHICLES UP TO 10 FEET  
71500 ITEM 715: VEHICLES UP TO 15 FEET  
71600 ITEM 719: VEHICLES UP TO 19 FEET

FOURTH LEVELS - ITEM ADT: PASSENGER 12YRS OLD AND OVER REVENUE

71100 ITEM ADT: PASSENGER 12 YRS OLD AND OVER REVENUE  
71110 KETCHIKAN TO PIER 48 SEATTLE REVENUE  
71120 KETCHIKAN TO PRINCE RUPERT REVENUE  
71130 KETCHIKAN TO STEWARD/HYDER REVENUE  
71140 METLAKATLA TO PIER 48 SEATTLE REVENUE  
71150 METLAKATLA TO PRINCE RUPERT REVENUE  
71160 METLAKATLA TO STEWARD/HYDER REVENUE  
71170 METLAKATLA TO KETCHIKAN REVENUE  
71180

TERTIARY LEVELS - VENDING MACHINES

75000      VENDING MACHINES  
75100      SHIP BORNE MACHINES  
75200      TERMINAL/SHARED MACHINES  
75300      OFFICE  
75400      SHOP/WORK PLACE VENDING MACHINES  
75600

FOURTH LEVELS - SHIP BORNE VENDING MACHINES

75100      SHIP BORNE VENDING MACHINES  
75110      COFFEE/HOT DRINKS  
75120      POP/COLD DRINKS  
75130      SANDWICHES  
75140      CONFECTIONARY  
75150      CIGARETTES  
75160

- c. Definitively state in statutes that non-profit agencies providing services not directly related to their main purpose and which are identified as being in direct competition with an existing business or hindering the establishment of a new profit-making business, must either cease providing that particular service to the public or must pay taxes on those services as "unrelated profit-making ventures."
6. The state should stop competing and contract to private labs with the state being more aware of private services that are available and not duplicate.

## 9. PROBLEM: EDUCATION/TRAINING

There is a lack of networking between the education sector and the small business sector as to what programs are needed, the ability of businesses to train employees or have apprentice programs.

### RECOMMENDATIONS

1. Provide funding and/or tax credits for an apprentice training program to assist small business to develop an effective and more productive work force.
2. The State Board of Education and State Vocational Education Board should be separated into two boards to better service Alaskan students.
3. The state funded SB191 program similar to the "Job Training Partnership Act" (JTPA) should be expanded with an emphasis on the private sector designing and delivering the training through the RFPO process.

## 10. PROBLEM: TRANSPORTATION/MARKETING

The state does not have a transportation policy.

### RECOMMENDATIONS

1. a. Develop a transportation policy that includes highways, ports, airports, barge service and the railroad; and  
b. Establish one commission each for DOT, Alaska Marine Highway System, and airports similar to the Alaska Railroad to set policy and long range goals. Each should have their own budget with income generated remaining in the department directly related - i.e. gas tax to DOT, airport fee to airports, etc.
2. The Alaska Marine Highway System serves as a vital link to the continental surface transportation network:
  - a. Provide year-round marine highway service to Kodiak, Prince William Sound, Dutch Harbor and all other coastal communities presently served in Southwest Alaska, without lapse.
  - b. The Alaska Marine Highway System should request proposals for emergency replacement vessels immediately upon scheduling of refurbishment.
  - c. Extend the AMHS to include service to Western Alaska.

# Marine highway commission proposed

By KIRK McALLISTER

THE JUNEAU EMPIRE

Two Southeast senators have combined forces in an effort to improve management of the Alaska Marine Highway system.

Sen. Jim Duncan, D-Juneau, has introduced a bill (SB473) setting up a ferry commission that would be responsible for general policy and the appointment of the marine highway system director.

Sen. Lloyd Jones, R-Natchikgan, meanwhile, has been working since last year on a bill (SB310) that would set up a Marine Highway Authority that would be an independent entity within state government much like the Alaska Railroad Corp. or the Alaska Permanent Fund Corp.

Duncan and Jones have now apparently joined together behind the commission concept as an initial step towards a separate marine highway authority.

Gov. Steve Cowper has balked at the authority concept because, among other things, it would remove the ferry system from the Department of Transportation and Public Facilities and would negotiate labor contracts separately from other

## ALASKA NEWS

state unions that currently must go through the Division of Labor Relations.

But the commission, as envisioned by Duncan and Jones, is a less radical idea than the separate authority concept since the marine highway would remain part of DOT. So far now, Jones has dropped the authority idea and opted to go with Duncan's commission concept.

The commission would be made up of seven members appointed by the governor to five-year, staggered terms. Membership would include the commissioner of the Department of Transportation and Public Facilities, a representative of the tourism industry, the maritime industry, Southeast and Gulf of Alaska residents and a person who represents the interests of the public.

Commissioners would serve without compensation other than per-

dium and travel expenses. Major duties of the panel would include appointing the director of the system, working on schedules and fees, construction of facilities, replacement and overhaul of vessels, produce an annual report on the system for the governor and Legislature, establish policy for the system and hold public meetings on the system's operation.

"I think this is a mid-range step designed to bring continuity to the system and more long-range planning," Duncan said. "It should bring stability in the management of the system."

Jones agreed with that assessment saying the appointment of the marine highway system director by the commission would make the position less of a political appointment that would change with changes in administrations.

"Continuity in the management of the system has always been our goal," Jones said. "I see this (the commission bill) as a first step. Establishing an authority is the only way the system will be able to survive in the long term but this is a step in the right direction."

Jim Ayers, current director of the ferry system, said that Gov. Cowper in his State of the State message last month, said a marine highway authority wasn't necessary at this time. The ferry system is facing much tougher and immediate questions than whether the director should be appointed by a commission or an authority established, he said.

"There are major management and financial decisions that need to be addressed," Ayers said. "The system is at a crossroads. We need to make the decisions necessary to keep the system going for the next 20 years."

One of the ships (the Chilkat) in the nine-vessel fleet is currently laid up and may never come back into service because of prohibitive costs, Ayers said. The rest of the fleet is also getting older plus a decision needs to be made about whether small "feeder" vessels should be added to the fleet.

A new master plan study of the system is scheduled to be released next week. Currently, the system generates about \$35 million annually of the \$65 million needed to operate the system.

Juneau Empire Article

# Alaska State Legislature



SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:  
FINANCE  
VICE CHAIR —  
HEALTH EDUCATION  
& SOCIAL SERVICES  
BUDGET & AUDIT  
BANKING &  
ECONOMIC  
DEVELOPMENT

FOR IMMEDIATE RELEASE  
February 12, 1990  
Contact: Pete Carran  
465-4766

## ALASKA MARINE HIGHWAY COMMISSION PROPOSED BY SENATOR DUNCAN

The Director of the Alaska Marine Highway System would be appointed by a five member commission established by Senate Bill 473 introduced today by Senator Jim Duncan of Juneau.

"This approach will provide continuity of management in order to promote efficiency in the operation of the system," Senator Duncan says. "Currently, system management changes with each change in the state administration. This measure is intended to provide an overlapping of system management from one administration to the next. This is a necessary step in order to help ensure sound system management."

Under terms of the measure, commission members are appointed by the Governor to five year terms on a staggered basis. At least three members must be from communities served by the Marine Highway System. The duty of appointing a system director is now the responsibility of the Commissioner of the Department of Transportation and Public Facilities.

Senator Duncan feels the management approach proposed in his bill is better equipped to deal with the important issues now facing the system. "There's a need for long term planning, maintaining an adequate level of funding, improving service including establishing a fast ferry program, and developing a plan for replacement of the fleet. Strong and long term management is needed to deal with these issues."

In addition to appointing a system director, the commission is responsible for advising and making recommendations on schedules and tariffs; management, planning and construction of facilities; replacement, refurbishing, and overhaul of vessels; and operating and capital costs. The measure also directs the commission to conduct public meetings on the operation of the system including proposed tariff increases or scheduling changes and to provide an annual report to the Governor and Legislature.



*Grand Camp*  
*Alaska Native Brotherhood*

Resolution No. 46

Title: In Support of Senator Jim Duncan's recommendation regarding the Alaska State ferry System

Whereas: Senator Jim Duncan has put together four major recommendations regarding the Alaska Marine Highway system, and

Whereas: Those recommendations will go a long way in the enhancement and improvement of the ferry service in Southeast, Alaska, and

Whereas: Planning for the ferry system needs to occur in order to capitalize on Southeast Alaska's only transportation link to other Alaskan communities and the lower 48, and

Whereas: Senator Duncan's recommendations are:

1. There is a need for long term planning for the Alaska marine highway system,
2. There is a need for adequate level of funding,
3. There is a need to improve ferry service, possibly the establishment of a "fast ferry" program or an increased number of sailings to more adequately serve Southeast, Alaska communities.
4. There is a need to plan for replacement vessels.

Now therefore be it resolved that the Grand Camp Alaska Native brotherhood and the Alaska Native Sisterhood assembled in Hoonah, Alaska strongly support the recommendations of Senator Jim Duncan for improving the Alaska Marine Highway system.

Certification:

I certify that this resolution was adopted at the ANB/ANS convention at Hoonah, Alaska during the week of Nov.6-11,1989.

Albert Kookesh  
Albert Kookesh  
Grand Secretary

Richard Stitt  
Richard Stitt  
Grand President

# SOUTHEAST CONFERENCE

P.O. Box 22286

Juneau, Alaska 99802

March 8, 1990

The Honorable Jim Duncan  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, AK 99811

Dear Senator Duncan:

The Southeast Conference, an organization representing the cities and towns of Southeast Alaska, is seriously concerned about the status of our Marine Highway.

Once the pride of ALL Alaskans, the highway has experienced a steady decline in service.

The deterioration is excessive with marine highway vessels on a non-active status more than 50% of the time resulting in a 10% "road closure" in some regions compared to the service offered just three years ago. Imagine what impact this would have on residents throughout interior Alaska if their primary highways suffered the same fate.

But at the same time traffic on Alaska's uniquely different highway increased almost ten percent and generated revenues that subsidized almost sixty percent of it's basic costs - making it Alaska's cheapest major transportation system on a per lane mile basis.

The Marine Highway is Alaska's most important intrastate link, knitting together all Alaskan communities to a surface route that spans 3500 miles from the Aleutian Islands, through Southeast Alaska to its termination in the lower 48. More than 34% of the traffic on the highway are folks traveling to and from westward and interior Alaska.

One of the primary mandates to the state is to provide adequate public transportation for its citizens. Alaska's 1990 budget reflects a 19% DECREASE in general funding during the past 5 years to maintain our Marine Highway. We liken this decision to a "death spiral" for the system.

We are seeking your support to "upgrade" the Highway this legislative session and in order to appraise your constituents of the highway's importance have initiated an information campaign throughout the state (copy attached).

Sincerely,



Ted Ferry, President  
Southeast Conference

March 8. 1990

Letter to the Editor:

To ALL Alaskans,

The longest state operated highway in the U.S.A. is in a serious state of disrepair and in jeopardy of "emergency" closures.

Once the pride of ALL Alaskans, Alaska Marine Highway service has steadily declined.


The deterioration is excessive with marine highway vessels on a non-active status more than 50% of the time resulting in a 10% "road closure" in some regions compared to the service offered just three years ago. Imagine what impact this would have on residents throughout interior Alaska if their primary highways suffered the same fate.

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One of the primary mandates to the state is to provide adequate public transportation for its citizens. Alaska's 1990 budget reflects a 19% DECREASE in general funding during the past 5 years to maintain our Marine Highway. We liken this decision to a "death spiral" for the system.

Please support our efforts to "save" this vital All-Alaska highway by expressing your concern to your elected state officials during this legislative session.



Ted Ferry, President  
Southeast Conference

SENATE COMMITTEE REPORT

DATE: 2/10/90

FURTHER: Finance

DATE TURNED INTO OFFICE: \_\_\_\_\_

State Affairs

Committee considered

SB 310

Ferries and ferry terminals and establishing the Alaska Marine Highway Authority

and recommended:

[ ] replace with \_\_\_\_\_ CS SB 310  
[ ] or adopt \_\_\_\_\_ CS \_\_\_\_\_

[ ] same title  
[X] new title  
[ ] technical title change (HB only)

[ ] attached amendment(s)  
[ ] \_\_\_\_\_ letter of intent adopted

[ ] do pass

[ ] do not pass

[ ] no recommendation

[X] individual recommendations

[ ] further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):  
Dept/Date:

[ ] fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_

[X] zero fiscal note(s) \_\_\_\_\_  
DST/PF 3.14.90

[ ] appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:  
[ ] fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_

[ ] Governor's bill w/fiscal note

SIGNING DO PASS:

Tom Kelly

Rich Albrecht

OTHER RECOMMENDATIONS:

All Adams - DO NOT PASS

[Signature]

Chair: Signature and Recommendation

New

6-1110H  
Utermohle  
2/21/90

Original sponsor(s): Transportation Committee

effective date  
Jan. 1, 1991 PASSED

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 310 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Marine Highway System  
7 Commission."

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

9 \* Section 1. AS 19.65 is amended by adding new sections to read:

10 ARTICLE 2. ALASKA MARINE HIGHWAY SYSTEM COMMISSION.

11 Sec. 19.65.100. DECLARATION OF POLICY. The state ferry system,  
12 operated by the Department of Transportation and Public Facilities, is  
13 a moving highway commonly known as the Alaska Marine Highway System.  
14 It is the purpose of AS 19.65.100 - 19.65.160 to

15 (1) ensure that the state marine highway system is operated  
16 in the public interest;

17 (2) provide continuity of management of the marine highway  
18 system to promote efficiency in operating the system;

19 (3) ensure that marine transportation services will be  
20 provided equitably, economically, and efficiently to all users;

21 (4) provide users of the marine highway system and citizens  
22 of the state with a marine highway system operated and managed as a  
23 public service for their benefit under a fair and reasonable tariff  
24 schedule;

25 (5) make certain that the marine highway system is properly  
26 developed and operated in coordination with other transportation modes  
27 and services; and

28 (6) provide the traveling public complete and dependable  
29 marine transportation services.

1           Sec. 19.65.110. ALASKA MARINE HIGHWAY SYSTEM COMMISSION. The  
2 Alaska Marine Highway System Commission is created within the Depart-  
3 ment of Transportation and Public Facilities.

4           Sec. 19.65.120. MEMBERSHIP AND VACANCIES. (a) The commission  
5 consists of seven members. One member is the commissioner of trans-  
6 portation and public facilities and six members are appointed by the  
7 governor. The six appointed members must be state residents except as  
8 provided in (1) of this subsection. One appointed member shall be a  
9 representative of the tourist industry who meets one of the require-  
10 ments under (1) - (4) of this subsection, and one shall be a represen-  
11 tative of the commercial carriers who meets one of the requirements  
12 under (1) - (4) of this subsection. Appointed members shall include

13                   (1) a representative of the maritime industry; a person who  
14 is not a state resident may be appointed under this paragraph;

15                   (2) a member of a maritime union;

16                   (3) two residents of Southeast Alaska;

17                   (4) a resident of the Gulf of Alaska area west of Icy Cape;

18 and

19                   (5) a person who represents the interests of the public.

20           (b) Members serve at the pleasure of the governor for five-year  
21 terms.

22           (c) Members shall comply with the requirements of AS 39.50  
23 (conflict of interest).

24           (d) A member holds office for the term of the appointment and  
25 until a successor has been appointed and qualified. A member may be  
26 reappointed.

27           (e) A vacancy in a membership occurring other than by expiration  
28 of term shall be filled in the same manner as the original appointment  
29 but only for the unexpired term.

1 (f) Each member, before serving on the commission, shall take  
2 and subscribe to an oath to faithfully perform the duties of the  
3 office. A record of the oath shall be filed with the Office of the  
4 Governor.

5 Sec. 19.65.130. COMPENSATION. The members of the commission  
6 serve without compensation, but are entitled to per diem and travel  
7 expenses authorized for state boards and commissions under AS 39.20.-  
8 180.

9 Sec. 19.65.140. OFFICERS, MEETINGS, AND QUORUM. (a) The mem-  
10 bers shall annually elect one of their number as chair.

11 (b) The commission shall meet at a time and place determined by  
12 the chair, and at other times and places the chair, or a majority of  
13 the commission members, considers necessary.

14 (c) The powers of the commission are vested in the members and  
15 four members of the commission constitute a quorum. The commission  
16 may take action by the affirmative vote of at least four members. A  
17 vacancy in the membership of the commission does not impair the right  
18 of a quorum to exercise all the powers and perform all the duties of  
19 the commission.

20 Sec. 19.65.150. DUTIES. The commission shall

21 (1) recruit, select, appoint, dismiss, or suspend the  
22 director of the division of marine transportation;

23 (2) advise and make recommendations to the director of the  
24 marine highway system regarding the operation of the marine highway  
25 system, including

26 (A) schedules and tariffs;

27 (B) management, planning, and construction of facili-  
28 ties;

29 (C) replacement, refurbishing, and overhaul of

1           vessels;

2                         (D) reviews of short-term and long-term operating and  
3 capital costs;

4                         (3) establish policy for the division of marine transporta-  
5 tion;

6                         (4) submit to the governor and the legislature before the  
7 10th day of each regular legislative session a comprehensive report  
8 describing the operations and expenditures of the commission and  
9 including a summary of recommendations made by the commission under  
10 (2) of this section during the preceding year;

11                        (5) adopt rules of procedure; and

12                        (6) hold meetings to provide a timely opportunity for the  
13 public to comment on the annual operations plan of the marine highway  
14 system, including proposed tariff increases or scheduling changes.

15           Sec. 19.65.160. COMPREHENSIVE LONG-RANGE PLAN. The commission,  
16 with the cooperation of the Department of Transportation and Public  
17 Facilities, shall prepare a comprehensive long-range plan for the  
18 development and improvement of the marine highway system and shall  
19 revise and update the plan at least every five years. The comprehen-  
20 sive long-range plan and revisions and updates of the plan are subject  
21 to legislative approval by law.

22 \* Sec. 2. AS 39.50.200(b) is amended by adding a new paragraph to read:

23                        (50) Alaska Marine Highway System Commission (AS 19.65.100 -  
24 19.65.160).

25 \* Sec. 3. AS 44.42.040 is amended by adding a new subsection to read:

26                        (b) The Alaska Marine Highway System Commission shall

27                        (1) appoint the director of the division of marine trans-  
28 portation;

29                        (2) advise and make recommendations to the director of the

1 marine highway system regarding the operation of the marine highway  
2 system;

3 (3) establish policy for the division of marine transporta-  
4 tion.

5 \* Sec. 4. INITIAL APPOINTMENT OF MEMBERS OF THE ALASKA MARINE HIGHWAY  
6 SYSTEM COMMISSION. Notwithstanding AS 19.65.120(b), enacted by sec. 1 of  
7 this Act, the terms of the initially appointed members of the Alaska Marine  
8 Highway System Commission shall be staggered as set out in AS 39.05.055(4).  
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# FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: "An Act . . . establishing the  
 Alaska Marine Highway Authority  
 Sponsor: Transportation Committee  
 Requestor: \_\_\_\_\_

Agency Affected: DOT&PF/AMHS  
 BRU: Marine Management  
 Components: Administration

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	55.8	55.8	55.8	55.8	55.8	55.8
TRAVEL	22.4	24.0	25.7	37.5	39.4	21.4
CONTRACTUAL	149.2	40.1	42.1	44.2	46.4	48.8
SUPPLIES	2.5	2.5	2.7	2.9	2.9	3.0
EQUIPMENT	10.5	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>249.4</b>	<b>132.5</b>	<b>136.3</b>	<b>140.3</b>	<b>144.5</b>	<b>149.0</b>

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND	249.4	132.5	136.3	140.3	144.5	149.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>249.4</b>	<b>132.5</b>	<b>136.3</b>	<b>140.3</b>	<b>144.5</b>	<b>149.0</b>

**POSITIONS:**

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS :** (Attach a separate page if necessary)

See Attached

Prepared by: John Halterman  
 Division: Alaska Marine Highway System  
 Approved by Commissioner: *[Signature]*  
 Agency: \_\_\_\_\_

Phone: 465-3950  
 Date: 01/17/90  
 Date: 1/17/90

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

- 5. The Authority would continue to use:
  - A. State-owned office buildings.
  - B. The State mail system.
  - C. The State equipment fleet.
  - D. The statewide purchasing contracts (i.e. fuel).
  - E. "Shared" communications lines.
  - F. Insurance, bonding, etc., as now supplied.
  - G. Legal services from the Attorney General's Office.
  - H. Snow removal at terminals as currently provided by DOT&PF regions.
- 6. The Directors of the Authority would meet six times a year, replacing the current AMHS Advisory Board. No travel funding is included in this fiscal note on the assumption that currently funded travel and contractual costs for the Advisory Board will be retained within the existing operating budget. However, additional funds are requested for the directors' compensation.
- 7. Data processing support will no longer be provided by the Information Systems Division of DOT&PF.
- 8. The maintenance positions and equipment transfers as requested in the AMHS FY 91 budget proposal will be approved.

DETAIL OF FY 89 COSTS

MARINE ADMINISTRATION BRU

<u>Personal Services</u> - 1 PFT Position		\$ 55.6
Analyst/Programmer IV	\$ 55.8	
<u>Contractual Services</u>		\$148.2
Professional Services		\$120.0
Annual audit by CPA	20.0	
Initial legal services	100.0	

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

FY 92 COSTS

FY 92 costs and beyond include an annual inflationary increase of 5% for line items other than personal services after deletion of the following one-time costs in the Marine Administration BRU:

<u>Contractual Services</u>		\$110.0
Initial Legal Fees	\$100.0	
Initial Printing Costs	10.0	
<u>Equipment</u>		10.5

POSITION TITLE Analyst/Programmer IV			NO. OF POSITIONS 1	RANGE/STEP 19/A	BARG. UNIT G
TIME STATUS PFT	STAFF MONTHS 12.0		LOCATION Juneau	ELECTION DISTRICT 04	
TYPE OF EXPENDITURE			JUSTIFICATION:		
			Creation of an Authority would require data processing support services which are currently provided by the Department of Transportation and Public Facilities.		
			This position will be responsible systems maintenance and enhancement of the reservations system (RMS II) and other information systems specific to the Alaska Marine Highway Authority.		
			Equipment costs include office equipment and necessary computer equipment (terminal, microcomputer, printer, etc.).		
AMOUNT					
1	2	3			
Salary	40,032				
Benefits	15,743				
Premium Pay					
Other					
TOTAL PERSONAL SERVICES		55.8			
Travel					
Contractual		2.0			
Commodities		2.5			
Equipment		10.5			
Other					
TOTAL COST		70.8			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts	1002				
G.F. Match	1003				
General Funds	1004	70.8			
I-A Receipts	1006				
CIP Receipts	1061				
Other					

REQUEST FOR  
NEW POSITION

AGENCY Dept. of Transportation and P.F.  
Alaska Marine Highway System

BRD Marine Administration

COMPONENT Administration

FY 91

Page 6 of 6

Revised Date

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

Contractual Services (Continued)

Communication		2.0
Local telephone service for new position	.5	
Network connect fees for new terminal	1.5	
Advertising, Printing and Binding		15.0
Printing, photography, etc. (Annual and other reports)	5.0	
Initial printing of stationery	10.0	
Rental for Land, Buildings and Space		1.2
Room rental for Directors' meetings	1.2	
Other Expenditures and Services		10.0
Mail clerk services (to be RSA'd to DOT&PF)	10.0	
<u>Supplies and Materials</u>		2.5
Office & Library Supplies	.5	
Routine supplies for new position		
Data Processing Supplies	2.0	
<u>Travel</u>		32.4
Directors' Honoraria	32.4	
(6 directors x 6 meetings x 3 days each @ \$300/day)		
<u>Equipment</u>		10.5
Office equipment for new position	.5	
Data processing equipment for new position	10.0	
Marine Administration BRU TOTAL		<u>\$249.4</u>

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

SB 310

FISCAL NOTE ANALYSIS

No funds for the increased operation of vessels are being requested in this fiscal note. Such an increase would require additional funds whether the System is managed as an Authority or under the present organization within the Department of Transportation and Public Facilities.

The current organization with a minimum of additional positions would be required for independent operation as the "Alaska Marine Highway Authority." The new positions required are identified on the attached Request for New Position forms.

It is assumed the Authority would continue to utilize the State Accounting System and other State computer resources, including those needed to support our Reservations Management System. The requirements will remain the same under the current organization or an Authority.

Additionally, it is assumed the Authority would retain access to the federal funding for capital projects available to DOT&PF at least at historical levels/proportions.

The following assumptions were made:

1. The legislation would take effect July 1, 1990.
2. There would continue to be an annual appropriation for full operating costs of the Authority each year to maintain the currently budgeted level of vessel operating schedules.
3. An inflation factor of five percent has been included for future years beyond FY 91 for all costs other than personal services, which are calculated by PACS at FY 90 rates.
4. The position of System Director would be converted to Executive Director and administrative support would be provided to the Board of Directors by the existing staff and the additional positions requested. No transfers of positions would be made from the Department of Transportation and Public Facilities.



*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: CSSB 310

APPROVED: 

TITLE: An Act Relating to the  
Alaska Marine Highway  
System Commission

DATE: March 15, 1990

The Committee Substitute for Senate Bill 310 proposes to create an Alaska Marine Highway System Commission. The department recognizes that this legislation has been put forward in a good faith effort to present changes to the Alaska Marine Highway structure which are intended to benefit and strengthen the overall system.

We agree that citizen input is a useful tool for good management of the system and in 1988 created a Marine Highway Advisory Board to facilitate this input. The Advisory Board serves as a bridge between the public and management and has been a successful addition since its implementation. Although the department has no objection to placing the Advisory Board or a similar structure in statute, we are unclear about the reason to mandate this by law.

The primary difficulty with this legislation concerns the proposed Section 1 AS19.65.150 (1) and Section 3 AS44.42.040 (b)(1) which give the commission the authority to hire or fire the Marine Highways System director. The department feels that the actual appointment, dismissal or suspension of the system director is a responsibility of the Executive Branch to be exercised by the Governor and Commissioner. If these sections were amended to provide for advisory action on the part of the commission, the department would remove its objection to this legislation.

For Further Information call Catherine McHugh at 465-3900

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: An Act relating to the AK Marine Highway System Commission  
Sponsor: Transportation Committee  
Requestor: \_\_\_\_\_

Agency Affected: DOT&PF/AMHS  
BRU: Marine Management  
Components: Administration

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
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
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**FUNDING:** (Thousands of Dollars)

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

**POSITIONS:**

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

**ANALYSIS :** (Attach a separate page if necessary)

Assuming the Alaska Marine Highway System Commission supplants the current advisory board, no additional funds will be required as a result of the passage of this legislation.

Prepared by: John Halterman  
Division: Alaska Marine Highway System

Phone: 465-3950  
Date: 3/14/90

Approved by Commissioner: Mark A. Nylund  
Agency: \_\_\_\_\_

Date: 3/15/90

**Distribution (by preparer):**

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

Original sponsor(s): Transportation Committee

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE  
2 CS FOR SENATE BILL NO. 310 (Transportation)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to ferries and ferry terminals and  
7 establishing the Alaska Marine Highway Authority."

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

9 \* Section 1. PURPOSE. The purpose of this Act is to establish an  
10 authority for the operation, management, planning, and construction of  
11 facilities for the marine highway system with a legal existence independent  
12 of and separate from the state government. The authority shall be the  
13 exclusive state agency directly associated with the operation, management,  
14 planning, and construction of facilities for the marine highway system.

15 \* Sec. 2. AS 19 is amended by adding a new chapter to read:

16 CHAPTER 70. ALASKA MARINE HIGHWAY AUTHORITY.

17 ARTICLE 1. CREATION AND ORGANIZATION.

18 Sec. 19.70.010. ALASKA MARINE HIGHWAY AUTHORITY. The Alaska  
19 Marine Highway Authority is established. The authority is a public  
20 corporation of the state. The corporation is an instrumentality of  
21 the state in the Department of Transportation and Public Facilities  
22 but has a legal existence independent of and separate from the state  
23 and has continuing succession until its existence is terminated by  
24 law.

25 Sec. 19.70.020. DIRECTORS. (a) The authority consists of seven  
26 directors. One director is the commissioner of transportation and  
27 public facilities and six directors are appointed by the governor.  
28 The six appointed members must be state residents except as provided  
29 in (1) of this subsection. One appointed member shall be a

1 representative of the tourist industry who meets one of the require-  
2 ments under (1) - (4) of this subsection, and one shall be a represen-  
3 tative of the commercial carriers who meets one of the requirements  
4 under (1) - (4) of this subsection. Appointed members shall include

5 (1) a representative of the maritime industry; a person who  
6 is not a state resident may be appointed under this paragraph;

7 (2) a member of a maritime union;

8 (3) two residents of Southeast Alaska;

9 (4) a resident of the Gulf of Alaska area west of Icy Cape;

10 and

11 (5) a person who represents the interests of the public.

12 (b) The appointed directors serve at the pleasure of the gover-  
13 nor for four-year terms. Each director shall hold office for the term  
14 of the director's appointment and until a successor is appointed and  
15 qualified. A director is qualified for reappointment. A vacancy in a  
16 directorship occurring other than by expiration of term shall be  
17 filled in the same manner as the original appointment but only for the  
18 unexpired term.

19 (c) The directors shall comply with the requirements of AS 39.50  
20 (Conflict of Interest). Each director before entering upon the direc-  
21 tor's duties shall subscribe to an oath to perform the duties of  
22 office faithfully, impartially, and justly to the best of the direc-  
23 tor's ability. A record of the oath shall be filed with the Office of  
24 the Governor.

25 (d) An appointed director is entitled to compensation at a rate  
26 of \$300 for each day the director is engaged in actual performance of  
27 duties under this chapter. The authority may provide by regulation  
28 for compensation for partial days for an appointed director. In  
29 addition, an appointed director is entitled to travel and per diem

1 expenses authorized by law for state boards and commissions under  
2 AS 39.20.180.

3 Sec. 19.70.030. OFFICERS AND QUORUM. The directors shall elect  
4 one of their number as chair. The directors shall elect a secretary  
5 and a treasurer who need not be directors, and the same person may be  
6 elected to serve both as secretary and treasurer. The powers of the  
7 authority are vested in the directors, and four voting directors of  
8 the authority constitute a quorum. Except as provided in AS 19.70.-  
9 050(7), action may be taken and motions and resolutions adopted by the  
10 authority at a meeting by the affirmative vote of at least four direc-  
11 tors. A vacancy in the directorship of the authority does not impair  
12 the right of a quorum to exercise all the powers and perform all the  
13 duties of the authority.

14 Sec. 19.70.040. STAFF. The authority shall employ a chief  
15 executive officer who serves at the pleasure of the authority. The  
16 chief executive officer may, with the approval of the authority,  
17 select and employ additional staff as necessary, including additional  
18 administrative officers. All officers and employees of the authority  
19 are in the exempt service under AS 39.25.110. In addition to its  
20 staff of employees, the authority may contract for and engage the ser-  
21 vices of consultants and professional, technical, and financial advi-  
22 sors the authority considers necessary for the purpose of developing  
23 information, conducting hearings, studies, investigations, or other  
24 proceedings, or otherwise exercising its powers.

25 ARTICLE 2. POWERS AND DUTIES.

26 Sec. 19.70.050. POWERS OF AUTHORITY. In addition to other  
27 powers granted in this chapter, the authority may

- 28 (1) sue and be sued;  
29 (2) adopt and alter an official seal;

1           (3) adopt and enforce bylaws and regulations for the con-  
2 duct of its business and for the use of its services and facilities;

3           (4) maintain offices at a place in the state and at places  
4 out of the state that are served by the marine highway system;

5           (5) establish terms and conditions of employment by the  
6 authority and conduct or designate a representative to conduct labor  
7 negotiations with employees;

8           (6) subject to appropriation by the legislature, acquire,  
9 hold, use, and dispose of its income, revenues, funds, and money;

10          (7) acquire, hold, use, lease, rent, construct, and dispose  
11 of personal property for its purposes, except that the authority may  
12 dispose of a ferry only on approval of at least five of its directors;

13          (8) acquire, hold, use, lease, or rent real property and  
14 dispose of real property under AS 19.70.100;

15          (9) operate, maintain, improve, and extend a system of  
16 ferries connecting with the public roads and highways of the state and  
17 including the boats, vessels, wharves, docks, approaches, landings,  
18 and appurtenances the authority determines to be necessary or desir-  
19 able for safe and efficient operation of the ferry system so as to  
20 best serve the public;

21          (10) do all acts and things necessary, convenient, or desir-  
22 able to carry out the powers expressly granted or necessarily implied  
23 in this chapter;

24          (11) establish rates and tariffs, after public hearings;

25          (12) modify routes, after public hearings.

26          Sec. 19.70.055. DUTIES OF AUTHORITY. The authority shall

27          (1) assist the residents, businesses, and communities of  
28 the state in obtaining the best and most frequent possible marine  
29 passenger and freight service;

1 (2) schedule vessel sailings to maximize the frequency of  
2 service to all ports;

3 (3) encourage and integrate with other public and private  
4 carriers to the greatest extent possible to provide ferry service  
5 within the state and between Alaskan ports and ports outside the state  
6 in order to provide maximum service within the state;

7 (4) require a non-refundable deposit for reservations;

8 (5) provide reservation access and marketing information  
9 throughout the state;

10 (6) encourage vessel construction, maintenance, and service  
11 in the state to the greatest extent possible;

12 (7) employ residents of the state to the greatest extent  
13 legally possible;

14 (8) recognize Alaska-based unions and employee associations  
15 to the greatest extent legally possible.

16 Sec. 19.70.060. USE OF NAME AUTHORIZED. The authority is auth-  
17 orized to operate its ferry system under the name "Alaska Marine  
18 Highway System".

*☆*  
*☆*  
*goes*  
*↓*

19 Sec. 19.70.070. COMPREHENSIVE LONG-RANGE PLAN. The authority,  
20 with the cooperation of the Department of Transportation and Public  
21 Facilities, shall prepare a comprehensive long-range plan for the  
22 development and improvement of the marine highway system and shall  
23 revise and update the plan at least every five years. The comprehen-  
24 sive long-range plan and revisions and updates of the plan are subject  
25 to legislative approval by law.

26 ARTICLE 3. ACQUISITION OF PROPERTY.

27 Sec. 19.70.080. ACQUISITION OF LAND AND EASEMENTS. The authori-  
28 ty, as part of the cost of constructing, maintaining, or improving the  
29 marine highway system, may acquire by purchase, gift, or exchange land