

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9758 SENATE TRANSPORTATION

THE PROPOSED AUTHORITY WOULD BE A MOVE IN THE WRONG DIRECTION AS FAR AS TRANSPORTATION IN ALASKA IS CONCERNED. SIX (6) YEARS AGO, CONGRESS INITIATED MAJOR CHANGES IN THE NATIONAL TRANSPORTATION INDUSTRY WITH THE ENACTMENT OF THE INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT OF 1991 (ISTEA). "INTERMODAL" IS THE "I" IN ISTEA. THE SIMPLE GENIUS OF ISTEA IS ITS PREMISE THAT TRANSPORTATION CHOICES CANNOT BE EFFICIENTLY OR ECONOMICALLY MADE IN ISOLATION FROM ONE ANOTHER. THIS CONCEPT IS CALLED INTERMODALISM.

A DECISION TO INVEST MORE PUBLIC MONEY IN ROADS, OR IN AIRPORTS, OR IN FERRY VESSELS, REQUIRES A BALANCING OF PUBLIC POLICY ISSUES THAT CANNOT BE COMPLETELY BALANCED IF ONE TRANSPORTATION MODE IS SOMEHOW TREATED DIFFERENTLY. NATIONALLY, THE TREND IS TO BRING MODES TOGETHER TO PROVIDE MORE EFFICIENT TRANSPORTATION SYSTEMS. AS I TRAVEL TO OTHER STATES AND DISCUSS ISSUES WITH MY PEERS, IT IS CLEAR THAT INTERMODALISM IS NOT A PASSING FAD. IT IS HERE TO STAY BECAUSE IT JUST MAKES SENSE. ISTEA WILL BE REAUTHORIZED THIS YEAR BY CONGRESS AS ISTEA II.

WE ALL RECOGNIZE THAT THE MARINE HIGHWAY SYSTEM CANNOT CONTINUE TO OPERATE AS IF IT WERE STILL THE 1960'S. TIMES HAVE CHANGED, AND THE NEEDS OF ALASKA'S COMMUNITIES AND THE TRAVELING PUBLIC HAVE CHANGED, THE TRANSPORTATION NETWORK ALONG ALASKA'S COASTLINE HAS CHANGED. THE CHANGES NEEDED IN THE MARINE HIGHWAY SYSTEM MAY BE DRAMATIC. HOWEVER, SB 21 TAKES US IN THE WRONG DIRECTION. WITH THE HELP OF THE LEGISLATURE, WE NEED TO WORK TO INSURE THAT THE MARINE HIGHWAY SYSTEM TRULY FUNCTIONS AS AN INTEGRAL ELEMENT IN A WELL-

DESIGNED STATEWIDE TRANSPORTATION SYSTEM. THIS ADMINISTRATION WILL CHANGE AND IMPROVE THE SYSTEM BUT THESE CHANGES MUST BE WELL THOUGHT OUT AND HAVE THE SUPPORT OF THE PEOPLE OF ALASKA. THIS TAKES TIME AND THE WORST ACTION WE CAN TAKE NOW IS TO MAKE CHANGES SUCH AS THIS BILL DOES WITHOUT THOUGHTFUL AND DELIBERATE CONSIDERATIONS OF ITS SHORT AND LONG TERM CONSEQUENCES.

POM

State Senator # Senate Transportation Committee
to: Robin Taylor

Thanks for the teleconference.
I was told I wouldn't be able to
speak & so didn't have any notes.
~~and~~ I forgot something important.
I'm sending a copy of summer ferry
schedule, please note, after our
input last fall the summer schedule
still has the Malaspina bypassing
Wrangell Southbound. This is not
right or necessary. There is time
in the Malaspina schedule with
the Prince Rupert turnaround for
the stop in Wrangell. The terminals
can post a revised schedule showing
the Malaspina stopping at Wrangell
on appropriate days. Also, that Taku
bypass of Petersburg was a bad thing
and they could have had the Taku stop
even ^(office) after you called them about it.

Testimony provided
to the Senate Transportation
Committee on SB 21 -
AK Marine Highway
Authority

Stan Hoyt

P.O. Box 828
Petersburg

TOTAL P. 05

(Feb 18, 1997)

JULY 1997 SOUTHBOUND - INSIDE PASSAGE/SOUTHEAST ALASKA

LEAVE SEASIDE	ARRIVE	JANUARY ARRIVE	WACON	TRAFFIC	WACON	ARRIVE HOLLIS	LEAVE	WACON	ARRIVE HOLLIS	LEAVE	WACON	ARRIVE HOLLIS	LEAVE	WACON	ARRIVE HOLLIS	LEAVE	WACON	ARRIVE HOLLIS	
M30 10:45A	M30 1:15P	M30 7:45P																	
T1 4:45A	T1 8:00A	T1 1:00A																	
W2 9:15A	W2 11:45A	W2 10:45P	TH3 3:00A																
T3 9:45P	T3 11:45P	T3 11:45P																	
TH3 4:00P	TH3 7:30P	TH3 3:15A																	
TH3 11:55P	TH3 11:55P	TH3 5:00A																	
F4 3:30P	F4 5:30P	F4 11:00P																	
SS 7:30P	SS 10:00P	SS 3:45P	F4 8:00P	F4 11:55P	SS 3:15A	SS 8:00A	SS 7:50P	SU6 12:15A	SU6 4:00A										
SU6 7:00P	SU6 10:00P	SU6 3:00A																	
M7 11:00A	M7 1:30P	M7 7:00P																	
T8 3:15A	T8 6:15A	T8 12:15P	M7 3:15A	M7 7:15A	M7 10:30A	M7 3:30P													
W9 1:45P	W9 4:15P	W9 7:00A																	
TH10 11:15A	TH10 2:45P	TH10 11:15P																	
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S12 6:15P	S12 8:45P	S12 2:45A																	
M14 8:30P	M14 12:30P	M14 3:00P																	
W16 7:45A	W16 10:15A	W16 9:30P																	
T15 3:15A	T15 6:45A	T15 1:30P																	
T15 10:45P	TH17 1:00P	TH17 4:30P																	
F18 4:30A	F18 9:30A	F18 3:30P																	
F18 9:30P	F18 10:30P	F18 4:00A																	
S19 3:45P	S19 8:15P	S19 1:45A																	
SU20 8:30P	M21 12:30P	M21 3:00P																	
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W23 1:00P	W23 3:30P	W23 2:45A																	
T24 10:15P	TH24 12:45P	TH24 4:15P																	
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TH31 11:15P	TH31 11:15P	TH31 4:15A																	

SEE MV AURORA SCHEDULE BELOW

SEE MV AURORA SCHEDULE BELOW

SEE MV AURORA SCHEDULE BELOW

ALL TIMES ARE LOCAL TIMES

MV AURORA SOUTHERN PANHANDLE SUMMER 1997 EFFECTIVE JUNE 1 - SEPTEMBER 10

<p>SAT Ar Metlakatla 7:30AM Lv Metlakatla 8:15AM Ar Ketchikan 8:30AM Lv Ketchikan 10:30AM Ar Hollis 1:15PM Lv Hollis 2:15PM Ar Ketchikan 5:00PM Lv Ketchikan 8:45PM Ar Metlakatla 8:00PM Lv Metlakatla 9:45PM Ar Ketchikan 10:00PM Lv Ketchikan 11:00PM SUN Ar Hollis 1:45AM</p>	<p style="text-align: center;">LOGGING SHOW & FAIR June 26-27 - Hollis (Thomas Bay)</p> <p>SAT Lv Ketchikan 8:15AM Ar Hollis 8:00AM Lv Hollis 10:00AM Ar Ketchikan 12:45PM Lv Ketchikan 1:45PM Ar Hollis 4:30PM Lv Hollis 6:00PM Ar Ketchikan 8:45PM Lv Ketchikan 9:30PM Ar Metlakatla 10:45PM Lv Metlakatla 11:30PM SUN Ar Ketchikan 12:45AM</p>	<p>SUN Lv Ketchikan 6:15AM Ar Hollis 8:00AM Lv Hollis 10:00AM Ar Ketchikan 12:45PM Lv Ketchikan 1:45PM Ar Hollis 4:30PM Lv Hollis 6:00PM Ar Ketchikan 8:45PM Lv Ketchikan 9:30PM Ar Metlakatla 10:45PM Lv Metlakatla 11:30PM MON Ar Ketchikan 12:45AM Lv Ketchikan 1:30AM Ar Hollis 4:15AM</p>	<p style="text-align: center;">*STEWART/HYDER TRIPS TUESDAY - JUL 1, 15, 29</p> <p>MON Lv Hollis 10:00PM TUE Ar Ketchikan 12:45AM Lv Ketchikan 1:45AM Ar Hyder 1:00PM Lv Hyder 3:45PM WED Ar Ketchikan 1:30AM Lv Ketchikan 2:30AM WED Ar Hollis 5:15AM</p>
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AUGUST 1997 SOUTHBOUND - INSIDE PASSAGE/SOUTHEAST ALASKA

LEAVE SCHEDULE	ARRIVE SCHEDULE	JUNEAU ARRIVE	HOCHBERG	TELLER	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	ARRIVE SCHEDULE	
TH31 1:15P	TH31 6:45P	F1 1:15A																	
TH31 11:15P	F1 4:15A	F1 4:15A																	
F1 2:45P	F1 8:45P	F1 8:45P																	
S7 6:15P	S2 8:45P	S2 2:15A																	
SU3 8:30P	M4 1:00P	M4 1:00P																	
M4 12:30P	M4 3:00P	M4 8:30P																	
T5 2:30A	T5 6:00A	T5 12:45P																	
W6 12:45P	W6 3:15P	W6 6:30A																	
T5 10:15P	W6 12:45A	W6 6:30A																	
TH7 12:45P	TH7 4:15P	TH7 11:15P																	
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SU10 2:45P	SU10 5:45P	SU10 12:45A																	
SU10 8:00P	SU10 1:00P	SU10 1:00P																	
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W13 8:45P	W13 11:00A	W13 4:30A																	
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F15 1:15P	F15 3:45P	F15 7:30P																	
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W26 7:45A	W26 11:15A	W26 6:15P																	
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TH28 9:30P	TH28 12:00P	TH28 2:30A																	
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S30 5:30P	S30 8:00P	S30 1:30A																	
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***STEWART/HYDER TRIPS**
TUESDAY - AUG 12, 76
 MON Lv Hollis 10:00PM
 TUE Ar Ketchikan 12:45AM
 Lv Ketchikan 1:45AM
 Ar Hyder 1:00PM
 Lv Hyder 3:45PM
 WED Ar Ketchikan 1:30AM
 Lv Ketchikan 2:30AM
 WED Ar Hollis 5:15AM



TELECOPY COVER SHEET
Ketchikan Legislative Information Office
Office - (907) 225-9675 Fax - (907) 225-8546

TO: Senate Transportation Committee
ATTN: Lydia FAX: 465-3766 PHONE: _____
FROM: June PHONE: _____
INSTRUCTIONS: Testimony for TC 70274, SB 21

SENT: Date 2/18/97 Time 4:30 pm
DISPOSAL OF ORIGINAL: Discard _____ Hold for Pickup _____
NUMBER OF PAGES: 14 (NOT counting cover sheet)
TRANSMITTED BY: [Signature]

Andrea Barkley
P.O. Box 1037
Ward Cove, Alaska 99928

To: All State of Alaska Representatives and Senators

Please enter this letter into the legal record on the subject of
The A.M.H.S. Bar Closures:

Until September of 1996, I had been a bartender on AMHS vessels for over 18 years. Over those many years, I have witnessed a huge variety of events. Mostly, I have seen foreigners from one end of the planet meet locals from the opposite end of the planet. Without fail, the one (and sometimes only) thing all these people had in common was Alaska.

The bars on the ferries were, in reality, traveling public relations centers for our state. Thousands upon thousands of recommendations, observations, and experiences were exchanged. Restaurants, camp sites, hotels, events, points of interest were endorsed or rejected. Guidance was given on everything from A): 'Which road to take', to Z): 'How to best enjoy the Alaskan experience'. The one thing everyone could, and did talk about was our state; the beauty of it, the unusual people who populated it, how it remains one of the most unique, pristine environments left in our country if not on our earth.

Bars on the ferries were a place for exchange; the exchange of ideas, the exchange of money. Over the years, I was only one of many bartenders who participated in the revenue intake of untold hundreds of thousands, if not millions, of dollars for our state. AMHS vessels were paid for in full years ago by public bonds. This reality, along with several other unique factors, allowed the State to possess and profit from a previously unheard-of remarkable business opportunity. The State sold this product in a low overhead-cost environment, enjoyed the singular privilege of purchasing the cheapest liquor in the state through duty-free Canadian Sea-stores, and had the extraordinary opportunity of benefitting from a monopoly of sales of this service to a captive audience; literally hundreds of thousands of people who could not go "across the street" for their next drink.

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Read into testimony, at the KTA Telecon-
ference Feb 18, 1997

TO: THE ALASKAN STATE SENATE, TRANSPORTATION COMMITTEE

FEBURARY 18, 1997

FROM: ANDREA BARKLEY
BOX 1037
WARD COVE, AK. 99928

I WAS A BARTENDER ON THE ALASKA MARINE HIGHWAY SYSTEM FOR 18 YEARS, UNTIL I WAS PUT OUT OF MY JOB WHEN THE BARS WERE CLOSED IN SEPTEMBER OF 1996.

WHEN I SPEAK ABOUT THE BAR CLOSURE ON THE FERRY SYSTEM, I MUST ADDRESS IT AS "THE BIG LIE". I'M SORRY TO HAVE TO PUT IT TO YOU IN SUCH A DIRECT WAY, BUT AT THIS POINT, I FEEL IT TRULY IS IMPORTANT TO TELL THE TRUTH ABOUT WHAT REALLY HAPPENED.

"THE BIG LIE" WAS THAT THE BAR CLOSURE WAS ABOUT LOSS OF REVENUE. THIS WAS NEVER TRUE; THE BAR CLOSURE WAS NEVER ABOUT REVENUE LOSSES AT ALL. THE REASON WE KNOW THIS IS BECAUSE OF 3 FACTS:

- 1) THE LE CONTE BAR WAS CLOSED RIGHT IN THE HEIGHT OF THE SUMMER SEASON; JUNE 1ST. THE "EMPLOYEE POSITION SAVINGS" THE STATE SAID THEY MUST HAVE WAS NEVER GAINED, BECAUSE THAT EMPLOYEE WAS SIMPLY MOVED OVER TO ANOTHER JOB ON THE SAME SHIP, SAME CREW. NO "EMPLOYEE COSTS" WERE SAVED; ONLY REVENUE LOST.
- 2) DIRECTOR GARY HAYDEN TOLD THE IBU THAT IF SOLUTIONS COULD BE FOUND TO OFFER THE SAME COST-SAVINGS THE STATE WAS SEEKING, THE DECISION TO CLOSE THE BARS WOULD BE RE-CONSIDERED. THE IBU THEN ENTERED INTO EXTENSIVE LABOR/MANAGEMENT MEETINGS WHICH OFFERED MANY SUGGESTIONS ON HOW TO INCREASE REVENUE IN THE BARS. ALL WERE BASICALLY NO-COST ITEMS, AND ALL SUGGESTIONS WERE IGNORED. ON THE MATANUSKA, THE CREWS WENT AHEAD AND IMPLEMENTED THESE SUGGESTIONS, WITHOUT MANAGEMENT DIRECTION. CONSEQUENTLY, THE MATANUSKA IMMEDIATELY BEGAN BRINGING MORE REVENUE INTO THE BARS. JUNEAU CENTRAL OFFICE, HOWEVER, WAS NOT INTERESTED IN OUR EFFORTS OR IMPROVEMENTS. THEY SIMPLY DID NOT WANT TO HEAR IT.

TOP 10 3-196 2-10 1W RESEARCH DIV. TAG NO. 207-100010 2. 4

3) THE STATE ANNOUNCED THAT THE BAR ON THE COLUMBIA DID MAKE MONEY, AND THEREFORE WOULD NOT BE CLOSING. THEN, AS SOON AS THE BARS ON THE OTHER VESSELS WERE CLOSED, THE BAR HOURS ON THE COLUMBIA WERE CUT FROM 12 HOURS OF OPERATION A DAY TO 6 HOURS OF OPERATION. NOW, WHAT BUSINESS MAN IN HIS RIGHT MIND WHO'S REALLY WORRIED ABOUT LOSING MONEY CLOSES DOWN HIS ONLY PROFITABLE BUSINESS VENTURE FOR HALF OF ITS' OPERATING HOURS?

TODAY, THERE IS NO ONE HERE THAT CAN TELL ALL OF YOU WHAT THE TRUE "HIDDEN AGENDA" REALLY WAS BEHIND THE BAR CLOSURES ON THE FERRY SYSTEM. YOU WILL HAVE TO ASK THAT QUESTION DIRECTLY IN THE GOVERNOR'S OFFICE IF YOU REALLY WISH TO KNOW.

BUT, BECAUSE OF THESE THREE FACTS, WE NOW KNOW THAT "LOSS OF REVENUE" WAS NEVER THE TRUE REASON BEHIND THE CLOSURE OF THE BARS. IT WAS "THE BIG LIE". IT WAS THE "RED HERRING" WE WERE MENT TO CHASE INTO THE BLIND ALLEY.

PLEASE DON'T MAKE THE SAME MISTAKE ON THIS SUBJECT THAT THE IBU MADE; PLEASE DON'T WASTE YOUR OWN PRECIOUS TIME CHASING THE RED-HERRING.

THE CITIZENS AND VOTERS AND ALASKAN VISITORS WANT THE COCKTAIL SERVICES ON THE ALASKA MARINE HIGHWAY VESSELS OPENED AGAIN. HUNDREDS OF PASSENGERS HAVE SENT IN COMMENT CARDS DIRECTING THAT TO HAPPEN. NINE PEOPLE WROTE IN TO SAY THEY WERE GLAD THE BARS WERE CLOSED. 668 PEOPLE, (AND MORE COMING IN ALL THE TIME), WANT THE BARS OPENED. NINE DO NOT. THE ADMINISTRATION OF AMHS IS FLATLY REFUSING A MANDATE OF THE PEOPLE. THIS IS WRONG; AMERICAN GOVERNMENT WAS DESIGNED TO SERVE THE WILL OF THE PEOPLE. THE LAST TIME I LOOKED, THE BILL OF RIGHTS WAS STILL IN EFFECT.

IT IS MY PERSONAL STRONGLY HELD BELIEF THAT IF SENATE BILL #21 DOES NOT PASS THIS LEGISLATIVE SESSION, THE ALASKA MARINE HIGHWAY SYSTEM WILL NOT SURVIVE; OUR SOUTHEASTERN AND SOUTHWESTERN WATER ROADWAY WILL DRY-UP, EVAPORATE, AND VANISH.

I URGE YOU, AS REPRESENTATIVES OF THE PEOPLE OF ALASKA, TO PLEASE SUPPORT AND PASS SENATE BILL #21.

THANK YOU,

(4)

1. An economic analysis of the various options is being prepared. This analysis is considering the costs and revenues of each option. After a preliminary analysis of several options, AMHS is focusing on the three most viable alternatives:
 - a. Redeploy the Malaspina to the Beilignam route and run the new vessel out of Prince Rupert.
 - b. Redeploy the Malaspina to North Lynn Canal and operate it as a day boat.
 - c. Replace the Malaspina with the new vessel operating out of Prince Rupert.
2. Negotiations with the three marine labor unions will focus on contractual changes to allow AMHS to operate a vessel in a "day boat" status. The current labor contracts are built around a twenty-four hour day, seven days a week operation. Running the Malaspina as a day boat in North Lynn Canal is one of the options.
3. The condition of the vessel is being updated. Before a decision is made, the capital costs must be considered. Capital funded projects are needed on the vessel to meet current regulations, to upgrade passenger accommodations, to repair various fixtures to maintain operational status, and to provide a safe healthy environment for work and passenger travel. Asbestos and regulatory compliance are probably the two factors of immediate concern.
4. Public participation will also be a key step in the decision process. The issue and all the facts will be presented to the people of Southeast.

OCV Operating Considerations

The current draft plan for deployment of the new vessel includes summer service in Southeast Alaska, service in Southwest Alaska when the M/V Tustumena is off line for overhauls and repairs, and pioneering a cross-gulf service. The vessel will also be used as an emergency command center as needed during a natural disaster or oil spill.

Bar Closure Comments

Since June, the AMHS has received 1,680 passenger comment forms. Of those forms remaining on the bar closure, 668 wrote in favor of keeping the bars and 9 comments favored the closure. The number of passenger comment forms received is slightly skewed because several ships sent in multiple unsigned forms, all in the same handwriting. Many respondents were more concerned with the potential lack of an area to smoke or to escape children than with the absence of alcohol. Letters and calls have run approximately 40% for closing, and 60% for staying open.

Shore Support

The perception that shore support has grown and vessel positions have been deleted and/or impacted by seasonal layoffs is not supported with historical numbers. The perception persists due to a number of reorganizations and a shift in where employees were budgeted, i.e., Department of Transportation & Public Facilities and, over the last few years, AMHS, that have distorted the real picture.

Submitted by Andrea Barkley 2/18/97
 letter from AMHS Director Gary Hayden to Sen. Robin Taylor dated Nov 24, 1996
 Senate Transportation Committee
 (5)

DRAFT

AMHS FOOD COST CONTAINMENT PLAN AMENDMENT

DRAFT

Responsible person: Mike Young/Joe Ver

Start date: Mid October 1996 or November 1, 1996, after the plan is presented at a Chief Stewards meeting tentatively scheduled for either the first or second week of October 1997.

Completion date: June 30, 1997

Estimated reduction: \$100,000.00

Plan:

This amendment is in addition to the plan submitted by Mike Young during the week of August 15, 1996.

Soda pop and candy which are both sold in vending machines on AMHS vessels are currently purchased from Alaskan vendors but not on a contract basis. In FY 96 AMHS purchased approximately \$62,000.00 in both soda pop (\$40,000) and candy (\$22,000). By placing both of these commodities out for bid, AMHS may be able to reduce the purchasing costs for both commodities from two to ten percent. This would be based on more than two vendors showing interest in bidding for these commodities. *2. starches when going into effort*

A proposed draft four (4) week menu plan for lunch and dinner was submitted to the current members of the labor-management food committee (see attached). This 4 week menu cycle is based on entrees currently served on AMHS vessels and low-fat/vegetarian recipes from the *Healthwise Quantity Cookbook*. The low-fat/vegetarian recipes are included in this menu cycle based on comments from both the crew and passengers requesting more healthy entrees.

The 4 week menu cycle needs to be incorporated with the lunch service plan initially developed by the labor-management food committee and needs to also include more galley crew input from the other vessels. The proposed 4 week menu cycle is flexible so that the number of entrees, vegetables, starches can be added or subtracted especially for the dinner menu.

What a (4 week) menu cycle accomplishes is a planned lunch and dinner menu for all AMHS vessels. The Chief Cook and Storekeeper will be able to keep usage figure records on different entree items. Both the Chief Cook and Storekeeper will be able to reduce storeroom inventory because they will only keep the raw food ingredients in storage that are needed for a particular week's menu.

Both the passengers and the crew will be served the same menu items. Recipes will become standardized and based on quantities for 25, 50, 75, 100 etc. Usage records (soup, entrees, starches, vegetables, fast food fare etc. will assist the Chief Cook as to how much to prepare during the next menu cycle. These also will be based on the time of the year, the number of passengers traveling, youth groups traveling etc. The menu cycle is set up so that leftovers from

Submitting only one page out of a total of five.

Feb 18, 1997

Alaska Cabaret, Hotel, Restaurant and Retailers Association

A Resolution

Relating to the Inlandboatman's Union

Be it resolved by the Alaska Cabaret, Hotel, Restaurant and Retailers Association:

WHEREAS the Alaska Cabaret, Hotel, Restaurant and Retailers Association supports any services which develop tourism on the Alaska Marine Highway System.

WHEREAS any cuts in services on the Alaska Marine Highway System negatively impacts tourism industry development in Alaska.

WHEREAS the closure of alcohol service bars will encourage increased alcohol consumption in unauthorized areas of the ships.

WHEREAS the closure of alcohol beverage service bars reduces valuable jobs on the Alaska Marine Highway System.

WHEREAS introduction of gaming on the Alaska Marine Highway System would increase revenue for the Alaska Marine Highway System.

BE IT RESOLVED that the Alaska Cabaret, Hotel, Restaurant and Retailers encourages all hospitality industry individuals and groups to support all services which encourage tourism development on the Alaska Marine Highway System.

adopted by CHARR

END

(7)

Alaska State Legislature

Please enter into the record my testimony to the SENATE TRANSPORTATION COMMITTEE
(committee name)
committee on SB-21 bill/subject, dated 2/

I neglected to mention that I'm also representing
the Ketchikan Chamber of Commerce Transportation
Committee regarding AMHS matters.

Robin — please ask Joe to keep me
appraised and up dated.

I'll request the Chamber to pass a resolution
in support of SB 21 soonest!

Signed:

BOB PICKRELL

Phone: (907) 247-2490

Testifier:
KETCHIKAN CHAMBER OF COMMERCE TRANSPORTATION COMMITTEE

Representing (Optional)
8339 SONG HARBOR LANE, KETCHIKAN, AK 99801
Address

Fax transmitted from Ketchikan Legislative Information Office
Phone: 225-9675 Fax: 225-8546

(5)

Alaska State Legislature

Please enter into the record my testimony to the Senate Transportation
(committee name)
committee on SB # 21 dated _____
bill/subject:

see attached

Signed:

Leif Johnson Phone: 907-225-6360
Testifier
Ina and David Lewis Yvon
Representing (Optional)
P.O. Box 6755, Ketchikan, AK 99901
Address

Fax transmitted from Ketchikan Legislative Information Office
Phone: 225-9675 Fax: 225-8546

(9)

From: Leif Jenkinson, Patrolman
I.B.U.-P. Ketchikan
P.O. Box 6300
Ketchikan, AK 99901

18 Feb. 1997

To: Senate Task Force, SB #21

Dear Task Force:

The Inlandboatmen's Union of the Pacific, while representing over 80% of the Fleet workers, has remained neutral on the subject of Senator Taylor's bill. We would, however, like to point out several factors for your consideration.

First, the present problems within A.M.H.S. are so long standing and so severe, that we believe it will take extraordinary efforts to solve them. We do not see that happening from within the present organization. Considering the years unsuccessfully spent trying to change the administrative structure of the A.M.H.S., and the resistance of the present Director and Commissioner to meaningful change, it is time to do something drastic.

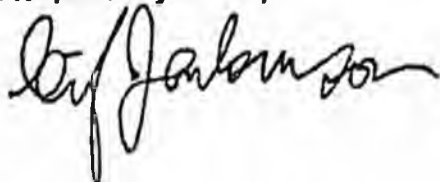
Second, We believe that the Administration is wrong when they claim that creating a Marine Authority will create another layer of bureaucracy. A.M.H.S. is already a top-heavy bureaucracy. It is judged possible, but by no means certain, that an Authority might actually reduce the bureaucracy.

Third, Mr. Perkins has stated to the Operating Fleet that it would be counterproductive to have the A.M.H.S. "competing" for dollars with the other statewide transportation needs. Currently, A.M.H.S. can't compete because those who make the ultimate decisions are all road and airport engineers and builders. It is felt by some that an Authority might have a chance to level the playing field for Marine Transportation. There are good people working in A.M.H.S.'s J.C.O., but they are not apparently making the decisions.

We believe that the present A.M.H.S. fleet could be running at or beyond capacity nearly full year, bringing in a much higher percentage of its operating costs and providing much more satisfactory service, encouraging expansion of the fleet and of the economies not only of SE and SW Alaska, but of Central Alaska. Whether an Authority would accomplish this is yet to be seen. We merely note here that we believe something drastic must be done if we are to preserve the infrastructure and the economies of SE, SW, and even Central Alaska.

While I have not gone into great detail, or presented examples, I understand that the Task Force has an entire File Cabinet full. Let me assure you, that is only the beginning.

Respectfully Yours,



(10)

K
J
C

Ketchikan Indian Corporation
(Tribal Council)

429 DEERMOUNT AVENUE
KETCHIKAN, ALASKA 99801
(907) 225-5158
FAX (907) 247-0429

RESOLUTION: KIC 97-09

TITLE: **SUPPORT OF SENATE BILL NO. 21: "An Act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels; and providing for an effective date."**

BY: **KETCHIKAN INDIAN CORPORATION TRIBAL COUNCIL**

WHEREAS, the Ketchikan Indian Corporation is a federally recognized Tribal government pursuant to the Indian Reorganization Act (IRA) of 1936 as amended; and

WHEREAS, the Ketchikan Indian Corporation Tribal Council is the representative Tribal government of the Ketchikan Indian Corporation, a sovereign, federally recognized IRA Tribe whose membership resides in the Ketchikan area; and

WHEREAS, the health, education, and welfare of its membership is of paramount importance to the well being of the Ketchikan Indian Corporation; and

WHEREAS, the Ketchikan Indian Corporation understands that the majority of communities in Southeast Alaska are dependent on the Alaska Marine Highway System; and

WHEREAS, The Ketchikan Indian Corporation and its membership are affected by the effective and efficient operation of the Alaska Marine Highway System as stated in Section 19.55.120. **Duties of authority.** The authority shall

- (1) assist the residents, businesses, and communities of the state in obtaining optimal marine passenger and freight service;
- (2) schedule vessel sailings to optimize the frequency of service to all ports;
- (3) encourage and integrate with other public and private carriers to the greatest extent possible to provide ferry service within the state and between Alaska ports and ports outside the state in order to provide optimum service within the state;
- (4) provide reservation access and marketing information throughout the state;
- (5) encourage vessel construction, maintenance, and service in the state to the greatest extent possible;
- (6) employ residents of the state to the greatest extent legally possible;

(11)

Resolution KIC 97-09

Page 2

(7) recognize Alaska unions and employee associations to the greatest extent legally possible.

SO THEREFORE BE IT RESOLVED, that the Ketchikan Indian Corporation hereby supports Senate Bill No. 21.

CERTIFICATION

The foregoing resolution was adopted at a duly convened meeting of the Ketchikan Indian Corporation Tribal Council, assembled this 5th day of February, 1997, at the Ketchikan Indian Corporation, 429 Deermount Avenue, Ketchikan, Alaska 99901, by a vote of 7 FOR, 0 AGAINST, and 0 ABSTAINING.

Stephanie D. Rainwater

Stephanie D. Rainwater, President

2-6-97

Date

ATTESTED:

Gerald E. Hope

Gerald E. Hope, Secretary

2/6/97

Date

cc: Southeast Alaska IRA's
ANB/ANS Grand Camp
Alaska Inter-Tribal Council
Alaska Native Claims Settlement Act (ANSCA)
Other Village & Urban Corporations in SE Alaska

(2)

PAGE 1

Alaska State Legislature

Please enter into the record my testimony to the _____
committee on Uncontrolled liquor & Smoking (committee name), dated 7-18-97
bill/subject

MY NAME IS MARY E CANNAN, I AM
THE HEAD ROOM STEWARD ABOARD MV/MALASANA
"B" CREW. I HAVE WORKED THIS JOB ABOARD SEVERAL
SHIPS DURING THE PAST 5 YEAR. MY DUTIES
INCLUDE THE CARE & CLEANING OF STATEROOMS ABOARD
SHIP. NO MATTER HOW MUCH CLEANING IS DONE TO
THE ROOMS ABOARD SHIP, THE LACK OF REPAIR TO THESE ROOMS MAKES
THEM LOOK LIKE A LOW CLASS \$25 A NIGHT FREE DRY MOTOR ROOM
I PATCH WALLPAPER, PAINT, SHAMOO CARPETS & FIX AS MUCH AS I
CAN MANY TIMES OUT OF MY OWN POCKET BECAUSE I HAVE A HARD
TIME SEEING PASSENGERS CHARGED PREMIUM RATES FOR THOSE ROOMS.
SINCE THE BARR CLASSED WE HAVE HAD MORE DAMAGE TO THE
ROOMS & TIME TAKEN TO CLEAN THEM DUE TO THE HIGHER LEVEL OF
ALCOHOL BROUGHT ON BOARD BY PASSENGERS. 12 MEN GOT ON IN HAIRES
WITH 6 CS OF BARR & WHEN WE DOCKED IN KTN. THEY BOUGHT 4 MORE CASES TO
GET THEM TO TUGA TO BELLINGHAM. WE NOW HAVE NO LIQUOR CONTROL

Signed: Mary E Cannan Phone: 225-6769
 Testifier: Jean
 Representing (Optional)
Box 8004 KTN., AK 99901
 Address

Fax transmitted from Ketchikan Legislative Information Office
 Phone: 225-9675 Fax: 225-8546

Continued on Next
 Page

13

100 10 3 102 7-01 10 1000000 100
FORM NO. 30 1000000
5. 17

Alaska State Legislature

Page (2)

Please enter into the record my testimony to the _____
(committee name)
committee on _____, dated _____
bill/subject:

THE LACK OF LIQUOR CONTROL HAS BROUGHT ON MORE CASES OF
DOMESTIC VIOLENCE & FIGHTS BETWEEN PASSENGERS THAN EVER BEFORE.

THE BAR CLOSURES ALSO HAS PRESENTED ONE OTHER PROBLEM.
OUR SMOKING PASSENGERS DO NOT HAVE A SAFE PLACE TO
SMOKE, ESPECIALLY IN THE WINTER. HOW MUCH MONEY
WILL YOU BE SAVING WHEN A SMOKER SUES THE
STATE BECAUSE HE FELL OFF ON THE DECKS OUTSIDE
BECAUSE THE DECKS ARE FROZEN THE SHIPS ARE ROCKING
AND HE COULDN'T SMOKE INSIDE OUT OF THE COLD.

I AM NOT A SMOKER MYSELF HOWEVER I FEEL THAT
WE NEED TO PROVIDE SAFE AREAS FOR THOSE WE
SERVE. WE LOST THE GERMAN TOUR GROUPS DUE TO THE BAR
CLOSURE AND THE LACK OF SMOKING AREAS. THANK YOU FOR LISTENING

Signed: Mary C Phone: _____
Testifier: _____

Representing (Optional) _____
Address _____

Fax transmitted from Ketchikan Legislative Information Office
Phone: 225-9675 Fax: 225-8546

(14)

STATEMENT FOR TRANSPORTATION
COMMITTEE HEARING

Ketchikan, Ak 3/6/97
John Ritterbach P.O. Box 9420 Ktn, 99901 (907)225-9459

Ladies and Gentlemen, my name is John Ritterbach and I am a Purser aboard the M/V Matanuska. I testified before this committee on February 18, 1997 and today I listened in Ketchikan as Mr. Perkins testified before you in Juneau.

I am appalled.

I would like to respond briefly to Mr. Perkins remarks. First, I believe that you should consider who is speaking for the Alaska Marine Highway. Where is Mr. Hayden? Is he not the director? I believe that a very large part of the problem here is that AMHS is being managed by "remote control" from the Commissioners' office.

Mr. Perkins states that we don't need Marine Authority because management under a Marine Authority would not be accountable to the public. He says that the Marine Highway now provides what it was designed for..."Safe, on-time, economical travel for the residents of Southeast Alaska."

I disagree. Mr. Perkins is out of touch with what the Marine Highway was designed to do, and it is he that wants to "Tinker" with the system. The Alaska Marine Highway is here to provide service to all Alaskans, not just Southeast Alaska. The price increases have discouraged ridership for families and older Alaskans. If not for Basketball teams, Military families traveling north and south, and an ever shrinking Elderhostel (higher prices) groups, we would have just a handful of passengers left.

Mr. Perkins makes reference to how the Marine Authority would have trouble getting Federal funding, and how Alaska is better served by having the Commissioners' office with that power.

I disagree. I believe that you should consider who is making that statement. Read between the line here. Who wants control here? Mr. Perkins makes my argument for me. I believe that he is worried that he would not longer be able to control Federal funds he now controls. Just take a look at the communities in southeast that want to form their own authority and obtain Federal funds. If they want more service, why not provide that service? Why isn't AMHS going after those funds? The answer my "lie" in what and where the Commissioner wants to fund.

Mr. Perkins sites 16 employees in the Juneau Central Office as having Maritime experience.

Again, Mr. Perkins makes my point for me. Only 16 employees in the Juneau Central Office with Maritime experience out of 150! And time and again the few employees that do have experience are ignored by upper management.

Alaska State Legislature

Please enter into the record my testimony to the TRANSPORTATION ~~COMMISSION~~
(committee name)
committee on SB21, dated 3-6-97,
bill/subject

TODAY'S TELECONFERENCE WAS DISSAPPOINTING TO ME.
2 WEEKS AGO I TESTIFIED BEFORE YOU FROM KETCHIKAN
VIA TELECONFERENCE. PERHAPS I WAS MISTAKEN IN EXPECTING
THE AMHS DIRECTOR GARY HAYDEN TO BE PRESENT TODAY,
AND FOR COMMISSIONER PERKINS TO RESPOND TO MULTIPLE
TESTIMONIES CITING MISMANAGEMENT OF AMHS BY THE
CURRENT ADMINISTRATION. SEN. TAYLOR QUESTIONED PERKINS
DECISION TO CLOSE BARS ON THE FERRIES, BUT SHOULD HAVE
QUESTIONED MANY MORE PERTINENT ISSUES INCLUDING
(BUT NOT LIMITED TO) PROBLEMS WITH SCHEDULING,
PRICES CHARGED FOR FERRY TICKETS, INEFFECTIVE RESERVATION
SYSTEM, INCOMPITENT & TOP-HEAVY MANAGEMENT AT JCO,
AND WHAT IS CURRENTLY BEING DONE TO CUT COSTS AND
ENCOURAGE REVENUE GENERATION. PLEASE CALL PERKINS
AND HAYDEN TO TASK. GOV. KNOWLES MADE A MISTAKE!

Signed:

Eric J. Inutan Phone: (907) 247-6666
Testifier

Representing (Optional)
PO BOX 8073 KETCHIKAN 99901
Address

Fax transmitted from Ketchikan Legislative Information Office
Phone: 225-9675 Fax: 225-8546

Alaska State Legislature

Please enter into the record my testimony to the TRANSPORTATION
committee on S.B. 21 (committee name) dated 3-6-97
bill/subject:

THE FACT AMHS DIRECTOR HAYDEN DID NOT SHOW UP FOR THIS HEARING SHOWS BLATENT LACK OF CONCERN FOR ONGOING AMHS PROBLEMS AND EFFORTS TO SOLVE SOME OF THEM. ALSO COMMISSIONER PERKINS COMMENTS ABOUT HOW A FERRY AUTHORITY WOULD WEAKEN CONCERN + RESPONSIVENESS TO PUBLIC CONCERNS BY THE APPOINTED OFFICIALS IS LAUGHABLE. PERKINS + HAYDEN, OUR PRESENT AMHS APPOINTED OFFICIALS SHOW LITTLE OR NO CONCERN FOR AMHS PROBLEMS, FAIL TO SEE THEIR OWN ROLE IN THE FERRY SYSTEM'S DEMISE, DUE IN PART BY THEIR OWN UNRESPONSIVE - -NESS. PERKINS CLAIMS "ELECTED OFFICIALS HAVE TO BE RESPONSIBLE TO THE PUBLIC THEY SERVE" YET THEY SHOW NO ACCOUNTABILITY FOR MAJOR AMHS PROBLEMS + PUBLICLY PASS THE BUCK AS TO THE BLAME

Signed: Robert L Glenn Phone: 225-4231
Testifier

Representing (Optional)
PO BOX 9115, KETCHIKAN, AK. 99901
Address

Fax transmitted from Ketchikan Legislative Information Office
Phone: 225-9675 Fax: 225-8546

Alaska State Legislature

Please enter into the record my testimony to the TRANSPORTATION
(committee name)
 committee on AMHS PROBLEMS + SOLUTIONS, dated 3-6-97.
bill/subject:

I WOULD GREATLY APPRECIATE YOUR ATTENTION
IN REGARDS TO SOME PROBLEMS FACING OUR
MARINE HIGHWAY, AND HOPE YOU WILL CONSIDER
WHAT I BELIEVE ARE SOME MAJOR PROBLEMS:
SCHEDULING OF SHIPS; RESERVATION SYSTEM;
PRICES OF GOODS AMHS PURCHASES; CONTRACT
NEGOTIATIONS; GENERATION OF REVENUE; AND
THE LIST GOES ON. AS A DECK DEPT. EMPLOYEE
ON THE M/V MATANUSKA FOR 15 YEARS, I + FELLOW
EMPLOYEES HAVE MANY SUGGESTIONS FOR
SOLVING MANY PROBLEMS FACING OUR SYSTEM.
IF YOUR COMMITTEE IS INTERESTED IN HEARING
SOME SUGGESTIONS, I AND MANY OTHERS WOULD
LOVE TO SPEND OUR OWN TIME DETAILING WHAT WE
KNOW. RESPECTFULLY - ROBERT. L GLENN

Signed:

Robert L Glenn
Treasurer

Phone: 907 225 4231

Representing (Optional)
PO Box 9115 KETCHIKAN AK 99901
Address

Fax transmitted from Ketchikan Legislative Information Office
Phone: 225-9675 Fax: 225-8546

Alaska State Legislature



Session:
State Capitol, Room 423
Juneau, AK 99801-1182
(907) 465-4921

Interim:
716 W. 4th Avenue, Ste. 450
Anchorage, AK 99501-2133
(907) 258-8183

SENATE TRANSPORTATION COMMITTEE

February 24, 1997

Mr. Gary Hayden, Director
Alaska Marine Highway System
3132 Channel Drive
Juneau, AK 99801-7898

Dear Mr. Hayden:

On Thursday, February 27 at 1:30 pm, the Senate Transportation Committee will resume hearings on SB 21, establishing a Alaska Marine Highway Authority. During this meeting, we will take testimony from the Department of Transportation. I would appreciate it if you would address the following questions during your testimony.

1. Please provide a copy of the Prince of Wales Island survey questions, the results of the survey and its cost.
2. How many, if any, claims has the Division of Risk Management paid in connection with intoxicated people disembarking from ferries?
3. How many people working in the Alaska Marine Highway System administration have had experience within the fleet?
4. During an August 19, 1996 meeting with the Task Force on the Alaska Marine Highway System, you referenced a "decision document" on closing the bar and indicated that you did not know the date the commissioner signed the document. The Senate Transportation Committee would like to obtain a copy of that document.
5. Also during the August 19 meeting, you were requested by the Task Force to obtain a "second opinion" on the safety of the Aurora crossing the Gulf of Alaska. You indicated that you would obtain this opinion. The Senate Transportation Committee would like to obtain a copy of that document.

Gary Hayden

Page 2

6. During an October 14, 1996 meeting with the Task Force on the Alaska Marine Highway System, Commissioner Perkins indicated that he expected to have "an idea of what the mission statement is going to be" by the first of the year. Has a revised mission statement been completed? If so, please provide a copy for the Senate Transportation Committee.

7. Please provide the Senate Transportation Committee with a report on the status of work being done to develop a computerized maintenance system. Please include the status, work environment and cost of the employee doing this job and a history of the project.

Thank you in advance for complying with this request for information, and we look forward to hearing your testimony on SB 21. If you have any questions, please feel free to contact Lydia Jones of my staff at 465-6641.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jerry Ward".

Senator Jerry Ward

cc: Sam Kito III

Questions for

DOTPF

on SB 21

February 1, 1997

Mr. Gary Hayden, Director
Alaska Marine Highway System
3132 Channel Drive
Juneau, AK 99801-7898

Dear Gary:

During the three hearings held by the Senate Task Force on the Alaska Marine Highway System this past interim, several requests for information were made that I don't think got answers.

At the July 19, 1996 meeting in Ketchikan, Mr. Downing was asked to provide a copy of the Prince of Wales Island survey questions, the results of the survey and its cost..

Mr. Downing was also asked to submit to the Task Force any information he could obtain on any claims the Division of Risk Management might have paid in connection with intoxicated people coming off the ferries.

The Task Force also asked for information on how many of the people working in AMHS administration have had experience within the fleet.

At the August 19 meeting in Seward, you made reference to a "decision document" on closing the bar and indicated you did not know that date the commissioner signed this document. The Task Force would like to obtain a copy of that document.

Gary Hayden

2/1/97

Page Two

Also in Seward, you were asked to obtain a "second opinion" on the safety of the Aurora crossing the Gulf. You indicated that you would obtain such an opinion, in writing.

At the Sitka meeting on October 14, Commissioner Perkins indicated he expected to have "an idea of what the mission statement is going to be" by the first of the year. Has a revised mission statement been completed? The Task Force would appreciate either a copy of that document or a status report.

The Task Force also requested a report on the status of work being done to develop a computerized maintenance system. Please include the status, work environment and cost of the employee doing this job and a history of the project.

I apologize if any of this material has already been submitted or the questions answered. The Task Force has collected an astounding volume of information of the Marine Highway and it is possible I may have missed your response.

Sincerely,

Joe A. Ambrose

Staff

Senate Task Force on the AMHS



TELECOPY COVER SHEET
Ketchikan Legislative Information Office
Office - (907) 225-9675 Fax - (907) 225-8546

TO: Senate Transportation Committee

ATTN: Ludia FAX: 445-3766 PHONE: _____

FROM: John Rittenbach PHONE: _____

INSTRUCTIONS: Testimony for TC 70274 - letter to
AWMS dated 12/20/96 - also 5^{pages} from Ed Markshoff

SENT: Date 2/18/97 Time 1:55pm

DISPOSAL OF ORIGINAL: Discard _____ Hold for Pickup _____

NUMBER OF PAGES: 5+5 (NOT counting cover sheet)

TRANSMITTED BY: [Signature]

STATEMENT FOR TRANSPORTATION COMMITTEE HEARING

Ketchikan, Ak 2/18/97

John Ritterbach-P.O. 9420 Km, 99901 (907)225-9459

Ladies and Gentlemen, my name is John Ritterbach and I am a Purser aboard the M/V Matanuska. As I have stated before, it's not easy to speak against your employer. However, I see no future for the Alaska Marine Highway with the present administration. I came here today because I care about the system and the people that we serve. I come before this committee to plead the case of a dying patient. The patient is the Alaska Marine Highway, and we are in dire need of a dose of common sense.

I support Senate Bill 21 to establish a Marine Highway Authority. As you look at this bill, it may not be the perfect cure for the woes of Marine Transportation, but without action soon the system itself will surely die. The time to act is now, before there is nothing left to save. It is time to stop playing politics with AMHS. The people of Alaska deserve better. And they can have better, if only you will act.

The management of AMHS is inept at best. The vast majority of Central Office management, from the Director, Mr. Hayden, on down, have little or no Maritime experience. Internal decisions are being made from the Commissioner of Transportation office with no rational basis.

The Commissioner of Transportation and Director of the Alaska Marine Highway have been caught in lies to the public and employees of the Alaska Marine Highway. The Alaska Marine Highway has no leadership, because there are no leaders. Only the tired old line of political appointed Commissioners and Directors. We need leaders with experience, not someone who was popular with the governor.

As I said to Mr. Perkins recently, in order to grow and prosper in times of economic shortage, we must pull together and do more with less. At AMHS, we must find more reasons for the public to use our services, not raise prices, and cut services at every turn. Not only is the Alaska Marine Highway just a highway, but a vital way to stimulate the economy of the communities that we serve. I believe that the way to generate more revenue, and reduce the amount that you have to appropriate each year is to give the public what we are meant to be. A service they can rely on at a reasonable price.

Compare AMHS with our friends in Canada. Their prices are lower, their on board services are better, and their schedule is users friendly.

At a recent meeting it was suggested to system Director Mr. Hayden that we needed to cut prices. His answer was that . . . "if we cut prices, and we don't increase our revenue then what?" My reply is that it is price, poor schedule, and lack of services that have caused our lack of revenue. We are in a spiral of destruction. Management's only solution to any problem is to cut service and raise prices.

I believe that we are not getting much bang for our buck. I believe that we can be much more effective even with the level of funding now provided. If I think I have the ideas to be 30% more effective, imagine what real, effective management, that is not afraid to listen to its employees and suggestions from the public could do?

Management is so top heavy that it is hard to believe. During the winter reduction in force, the number of people working in the Juneau Central Office almost equals the number of employees working on the three ships that are still running. About 60% of ship employees lose their jobs in the winter months, and it takes a new employee hired this year in the IBU about *six years to become a full-time year around worker*. If you are hired in the Juneau Central Office, however, you are full-time right from the start, in fact, *not one employee in the Juneau Office loses one hour pay during the winter reduction in force period. Is there something wrong with this picture?* Mr. Hayden makes the lame reply that *some reservation's agents have reduced hours in the winter*. It is my belief that the Juneau Office staff could, and should, be reduced by 30% or more.

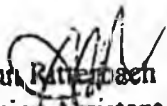
Senators, take a tour of the Juneau Office. Bright, new, good equipment, and fully staffed. Take a look at our shiny new Terminal Buildings. Then take a tour of the ships of the Alaska Marine Highway that *they support*. Tired, shabby, in dire need of a facelift. For years, the M/V MALASPINA, has been neglected by AMHS. We have been told there is no money, not even for basic items like paint. Yes, AMHS staff would have you believe that the M/V MALASPINA isn't worth much, and would be better off sold. The question is what a new ship of that size would cost compared to the cost of upgrade of the M/V MALASPINA. The M/V MALASPINA could be used, and produce revenue, while SOLAS upgrades were made. In short, the M/V MALASPINA is a valuable asset to AMHS and the State of Alaska. Is the Commissioner of Transportation more interested in using the funds earmarked for AMHS for other projects? An important question might be, can the Management of AMHS be trusted to tell the truth about the M/V MALASPINA?

Ladies and Gentlemen, the Alaska Marine Highway has a motto, "A PROUD TRADITION." That tradition of service has been allowed to tarnish. I urge you to embark on a course that will restore that tradition. I urge you to support Senate Bill 21. Let's make the ships of the fleet something to be proud of, something new, and alive, and a fleet that all Alaskans can be proud of.

Thank-you.

COVER MEMO

Ketchikan, Ak
Senate Transportation Committee
February 18, 1997


John Rittenbach
Senior Assistant Purser
M/V MATANUSKA
P.O. Box 9420
Ketchikan, Ak 99901
(907)225-9459

Senators,

This memo was sent to Commissioner Perkins on 12/20/96. I have yet to receive a reply. I find it hard to believe that a Commissioner is allowed to lie to the Alaskan public and AMHS employees with impunity.

I believe that the record speaks for itself.

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Alaska Marine Highway System/Vessel Operations

P.O. Box 25535

Juneau, Alaska 99802-5535

Telex: 45-312

Phone: (907) 465-3955

To: Joe Perkins
Commissioner
Department of Transportation & Public Facilities

Date: 12/20/96

FROM: John Riffenbach
Purser
Alaska Marine Highway System

Subject: AMHS Operations
and Management

I would like to thank you for the opportunity of meeting with you aboard the M/V COLUMBIA on December 17, 1996. I feel we need meetings like this at least once a quarter. As you can see from the number of employees attending, many of us are interested and concerned about what is happening to the Alaska Marine Highway. I believe, as do many others, that AMHS is at a crossroads. In order to grow and prosper in times of economic shortages, we must pull together and do more with less. However, I firmly believe that a cycle of higher prices and less services, can only result in a spiral of failure. We must use what resources we have wisely, find ways to give the public more reason to use our services, not less. Let me give you some examples.

Bar closures--In short, I believe this to be the single worst AMHS management decision made in at least eight years. In the meeting aboard the M/V COLUMBIA, you stated it was your decision to close the Cocktail Lounges. However, in reading comments made by Senator Robin Taylor at the Senate Task Force on the Alaska Marine Highway System in Sitka, Alaska on October 14, 1996, he says "...during the recent Southeast Conference, he met with Commissioner Perkins, who told him it was not his decision to take the bars off the ferries, that it was an internal decision." In the meeting aboard the M/V COLUMBIA, you stated that you were not aware of the IBU-P offer to reduce non-revenue jobs in order to save an equal number of revenue producing bartender positions. It seems that Mr. Hayden, according to you, did not bring forward the offer by the IBU-P to eliminate certain steward positions to save the revenue bartender positions. However, in that same Sitka meeting with Senator Robin Taylor, it was stated "...that a program was brought forward that allowed the administration to achieve the cost savings they were looking for without having to eliminate the actual bar service." Frankly, I don't know what to believe here. I'll take you at your word that you were not aware of all the offers on the table. So, let's go over it one more time.

As I understand it, the IBU-P was willing to give up eight Officer BR positions at \$15.56 to save eight bartender positions at \$15.74. The Officer BR positions generate no revenue and the bartender positions generate \$460,000.00 in gross sales for AMHS. In our meeting, you claim that counting wages and other overhead, the Cocktail Lounges lose \$155,000.00, or as you put it, we subsidize each drink about .40cents. If you take away the wages, as this offer in effect does, the issue of losing money is no longer valid. All that was needed was a .40cent per drink price increase in the first place to break even. It was also disturbing to hear Mr. Hayden reveal that the decision to close the Cocktail Lounges was made prior to Labor/Management Committee meetings to suggest ways to increase revenue in the bars and keep them open. Is this to say that this exercise was doomed from the start, and that the decision was already made regardless of what suggestions were offered? That these meetings were made to pacify labor into thinking that we could make a difference? As you will remember, I asked Mr. Hayden if he had implemented any of the suggestions brought to him. His answer was that the decision was already made to close the lounges.

(4)

Memorandum

State of Alaska

Department of Transportation & Public Facilities

Page 1 of 2

OT
DAY
O.T.
OVERTIME WAGES

TO: George M. Brereton
Master
M/V Taku
"A" Crew

DATE: January 9, 1997

FROM: Edward E. Marksheffel
Chief Purser
M/V Taku
"A" Crew

SUBJECT: Crew list beginning
in Juneau 1/8/97

<i>Station Bill</i>	Name	<i>OT</i>	Position	Position #	Life Boat	HCT	Change Port	Remarks
31.49	A George M. Brereton	47.24	Master	271101	Yes	Yes	Ktn	566.88
26.20	1 Scott B. Hendrickson	39.30	Chief Mate	271104	Yes	Yes	Ktn	Montez-Vac. 471.40
22.94	2 Thomas O. Moore	34.41	Second Mate	271106	Yes	Yes	Ktn	412.92
22.94	3 John A. O'Brien	34.41	Third Mate	271107	Yes	Yes	Jnu	412.92
	4		Pilot Observer					
16	Edward E. Marksheffel	31.48	Chief Purser	271125	Yes	Yes	Ktn	372.96
17	Jeanne M. Orr	27.56	S/A Purser	271128	Yes	Yes	Jnu	330.72
5	Douglas J. Thompson	27.77	Boatswain	271134	"U"	Yes	Ktn	Kannar-Uffd 333.24 304.92 304.92 304.92 304.92
9	Dorney D. L. Mullins	25.41	A/B	271137	"U"	Yes	Ktn	
7	James Holzenberg	25.41	A/B	271138	"U"	Yes	Ktn	
6	Nicholas G. Kollars	25.41	A/B	271139	"U"	Yes	Ktn	
8	Kenneth C. Fenn	25.41	A/B	271140	"U"	Yes	Jnu	
11	Gifford J. Peratrovich	23.41	O/S	271145	Yes	Yes	Ktn	285.72
10	Donald M. Hamilton	23.91	O/S	271146	Yes	Yes	Ktn	285.72
12	Petrus B. Van Aart	23.91	O/S Porter	271148	Yes	Yes	Ktn	285.72
15	Beverly J. George	23.81	Watchman	271150	Yes	Yes	Ktn	285.72
14	Sverre Jonassen	23.42	Watchman	271151	Yes	Yes	Ktn	285.72
28.94	18 Allan F. Lee	43.41	Chief Engineer	271110	Yes	Yes	Ktn	520.92
24.92	19 Dale H. Malmberg	37.42	1 st Engineer	271115	Yes	Yes	Ktn	449.04
23.80	20 John A. Larson	34.95	2 nd Engineer	271118	Yes	Yes	Ktn	419.40
21.86	21 Michael D. McRoberts	32.79	3 rd Engineer	271121	Yes	Yes	Jnu	393.48
	22 Mark Hutson		Jr. Engineer	27.92 271153	Yes	Yes	Ktn	335.40
	23 Laurance J. Murphy		Oiler	25.64 271156	Yes	Yes	Ktn	307.68
	24 Thomas L. Binder		Oiler	25.64 271157	Yes	Yes	Jnu	307.68
	25 Fred T. Coleman		Wiper	23.99 271160	Yes	Yes	Jnu	287.96

12 hrs
Per Day o.t.

8571.22

O.T. Day + Straight Day = 22,641.48

*WITH COLA FOR MM+P + MEBA
WELL OVER \$25000/DAY*



Memorandum

State of Alaska

Department of Transportation & Public Facilities

OVERTIME WAGES

Page 2 of 2

TO: George M. Brereton
Master
M/V Taku
"A" Crew

DATE: January 9, 1997

FROM: Edward E. Marksheffel
Chief Purser
M/V Taku
"A" Crew

SUBJECT: Crew list begining
in Juneau 1/8/97

O.T.

Station Bill	Name	O.T.	Position	Position #	Life Boat	HCT	Change Port	Remarks
26	Charles P. Kiel	31.48	Chief Steward	271161	Yes	Yes	Ktn	372.96
27	Raymond L. Caldwell	27.56	Second Steward	271165	Yes	Yes	Jnu	330.72
28	Bernadeth T. Suson	26.32	Chief Cook	271166	Yes	Yes	Jnu	339.84
29	Pamela L. Kadake	24.96	Second Cook	271167	Yes	Yes	Ktn	298.80
30	Mario C. M. Jacas	24.96	Second Cook	271168	Yes	Yes	Jnu	298.80
31	Audrey K. Berggren	23.60	2 nd /A Cook	271169	Yes	Yes	Jnu	283.32
32	Arletta M. Hjort	23.51	Gift Shop	271172	Yes	Yes	Ktn	282.12
33	Edward W. Ezre	23.51	Cashier	271173	Yes	Yes	Jnu	282.12
34				271174				
35	Elizabeth F. McFarlane	23.61	Head BR	271176	Yes	Yes	Ktn	283.32
36	Nola E. Wilcox	23.34	Officer's Mess	271177	Yes	Yes	Ktn	280.88
37	Connie L. Howard	23.34	Crew Mess	271178	Yes	Yes	Ktn	280.88
38	Serguis F. Sheakley	23.34	Officer's BR	271179	Yes	Yes	Jnu	
39	Eileen D. Lucky	23.34	Steward	271181	Yes	Yes	Ktn	
40	Karl J. Ashenbrenner	23.34	Steward	271182	Yes	Yes	Jnu	
41	Gilberto Padron	23.34	Steward	271183	Yes	Yes	Jnu	
42	Douglas R. Kendall	23.34	Steward	271184	Yes	Yes	Jnu	
43			Steward	271185				
44	David E. Douglas	23.34	Steward	270079	Yes	Yes	Ktn	
45			Steward	270080				

SAME

X 10

2772.00

2240.64

Test Page 5012.64

O.T. Day WAGE only

+ Page one 8571.00

Department	# crew	# L.H. tickets
Deck	14	14
Purser	2	2
Engine	8	8
Steward	17	17
Totals	41	41

T. 13583.64

24 Lifebom tickets required

2

Memorandum

State of Alaska

Department of Transportation & Public Facilities

Page 1 of 2

Straight Tom Day

TO: George M. Brereton
Master
M/V Taku
"A" Crew

DATE: January 9, 1997

FROM: Edward E. Marksheffel
Chief Purser
M/V Taku
"A" Crew

SUBJECT: Crew list beginning
in Juneau 1/8/97

[Handwritten signature]

Straight Tom

Station Bill	Name	Position	Position #	Life Bont	HCT	Change Port	Remarks
31.49	A George M. Brereton	Master	271101	Yes	Yes	Ktn	377.80
26.20	1 Scott B. Hendrickson	Chief Mate	271104	Yes	Yes	Ktn	Montez-Vac. 314.40
22.94	2 Thomas O. Moore	Second Mate	271106	Yes	Yes	Ktn	275.28
22.94	3 John A. O'Brien	Third Mate	271107	Yes	Yes	Jnu	275.28
	4	Pilot Observer					
20.72	16 Edward E. Marksheffel	Chief Purser	271125	Yes	Yes	Ktn	248.44
18.37	17 Jeanne M. Orr	S/A Purser	271128	Yes	Yes	Jnu	220.44
18.51	5 Douglas J. Thompson	Boatswain	271134	"U"	Yes	Ktn	Kanaar-Uffd 222.12
16.94	9 Dorney D. L. Mullias	A/B	271137	"U"	Yes	Ktn	203.28
16.94	7 James Holzenberg	A/B	271138	"U"	Yes	Ktn	203.28
16.94	6 Nicholas G. Kollars	A/B	271139	"U"	Yes	Ktn	203.28
16.94	8 Kenneth C. Fenn	A/B	271140	"U"	Yes	Jnu	203.28
15.87	11 Gifford J. Peratrovich	O/S	271145	Yes	Yes	Ktn	190.44
15.87	10 Donald M. Hamilton	O/S	271146	Yes	Yes	Ktn	190.44
15.87	12 Petrus B. Van Aart	O/S Porter	271148	Yes	Yes	Ktn	190.44
15.87	15 Beverly J. George	Watchman	271150	Yes	Yes	Ktn	190.44
15.87	14 Sverre Jonassen	Watchman	271151	Yes	Yes	Ktn	190.44
28.94	18 Allan F. Lee	Chief Engineer	271110	Yes	Yes	Ktn	347.20
24.94	19 Dale H. Malmberg	1 st Engineer	271115	Yes	Yes	Ktn	299.40
23.30	20 John A. Larson	2 nd Engineer	271118	Yes	Yes	Ktn	279.60
21.86	21 Michael D. McRoberts	3 rd Engineer	271121	Yes	Yes	Jnu	262.72
18.63	22 Mark Hutson	Jr. Engineer	271153	Yes	Yes	Ktn	223.56
17.09	23 Laurance J. Murphy	Oiler	271156	Yes	Yes	Jnu	205.08
17.09	24 Thomas L. Binder	Oiler	271157	Yes	Yes	Jnu	205.08
15.99	25 Fred T. Coleman	Wiper	271160	Yes	Yes	Jnu	191.20

O.T. DAY + Straight Day = 22,641.48

This page
Wages Per Day:
WITH COLA FOR MMP + MRBA WELL OVER 25000/DAY (3)

5713.56

Memorandum

STRAIGHT TIME

State of Alaska

Department of Transportation & Public Facilities

PAGE 2 of 2

TO: George M. Brereton
Master
M/V Taku
"A" Crew

DATE: January 9, 1997

FROM: Edward E. Marksheffel
Chief Purser
M/V Taku
"A" Crew

SUBJECT: Crew list beginning
in Juneau 1/8/97



Station Bill	Name	Position	Position #	Life Boat	HCT	Change Port	Remarks
20.75	26 Charles P. Kiel	Chief Steward	271161	Yes	Yes	Ktn	248.64
18.37	27 Raymond L. Caldwell	Second Steward	271165	Yes	Yes	Jnu	220.44
18.08	28 Bernadeth T. Suson	Chief Cook	271166	Yes	Yes	Jnu	226.50
16.62	29 Pamela L. Kadake	Second Cook	271167	Yes	Yes	Ktn	199.20
16.62	30 Mario C. Malacas	Second Cook	271168	Yes	Yes	Jnu	199.20
15.24	31 Audrey K. Berggren	2 nd /A Cook	271169	Yes	Yes	Jnu	188.05
15.67	32 Arletta M. Hjort	Gift Shop	271172	Yes	Yes	Ktn	188.04
15.67	33 Edward W. Ezre	Cashier	271173	Yes	Yes	Jnu	188.04
	34		271174				
15.74	35 Elizabeth F. McFarlane	Head BR	271176	Yes	Yes	Ktn	188.00
15.67	36 Nola E. Wilcox	Officer's Mess	271177	Yes	Yes	Ktn	188.04
15.67	37 Connie L. Howard	Crew Mess	271178	Yes	Yes	Ktn	188.04
15.56	38 Serguis F. Sheakley	Officer's BR	271179	Yes	Yes	Jnu	186.72
15.56	39 Eileen D. Lucky	Steward	271181	Yes	Yes	Ktn	"
15.56	40 Karl J. Ashenbrenner	Steward	271182	Yes	Yes	Jnu	"
15.56	41 Gilberto Padron	Steward	271183	Yes	Yes	Jnu	"
15.56	42 Douglas R. Kendall	Steward	271184	Yes	Yes	Jnu	"
	43	Steward	271185				"
15.56	44 David E. Douglas	Steward	270079	Yes	Yes	Ktn	"
	45	Steward	270080				"

Straight Time This page = 3344.28

Department	# crew	# L.B. tickets
Deck	14	14
Purser	2	2
Engine	8	8
Steward	17	17
Totals	41	41

" page ONE = 5713.56

Sh. ps Wages Per Day

9057.84

24 Lifeboat tickets required

Straight Time



A Japanese company and AMHS had a boat race; the Japanese won by a mile. AMHS hired analysts to figure out what went wrong. They reported that the Japanese had one person managing and seven rowing, while AMHS had seven managing and only one rowing. AMHS immediately restructured its team. Now they had one senior manager, six management consultants and one rower. In the rematch the Japanese won by two miles. So AMHS fired the rower.

~ Jay Trachman in "One to One"

(5) (6)

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

352 Front Street
Ketchikan, Alaska 99901
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Fax: (907) 225-0713

Senator Robin L. Taylor

Sponsor Statement

Senate Bill 21

Senate Bill 21 would establish an Alaska Marine Highway Authority to assume management of the Marine Highway System from the Department of Transportation and Public Facilities.

The Authority would be a public corporation of the state as an instrumentality of DOT/PF, but would have a legal existence independent and separate from the state. The new Authority would be comparable to the Alaska Housing Finance Corporation or the Alaska Industrial Development and Export Authority.

The powers of the authority would rest with a seven member Board, appointed by the Governor. One member would be the Commissioner of Transportation. The six other members would be required to have experience in maritime affairs and would serve staggered five year terms. The Board would hire the system director.

Establishment of such an authority board would bring maritime experience and continuity to the management of the Alaska Marine Highway System.

Based on information gathered at public hearings over the interim, the Senate Task Force on the Alaska Marine Highway System concluded that the legislature should consider the creation of such an Authority.

Testimony received by the Task Force indicated that DOT management of the Marine Highway lacks focus and that AMHS administration under DOT lacks maritime experience.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Sponsor Statement

SB 21

Page Two

Management under DOT has become insular and is unresponsive to input from vessel employees and the general public. Scheduling is chaotic and the fare structure has discouraged ridership. The reservations system has been an abject failure.

While concerns over funding levels are valid, the naturally bureaucratic mind-set of the Department has tightened what former director Jim Ayers termed a "death spiral".

Establishment of the Alaska Marine Highway Authority will not be a panacea, but will give the system a new perspective.

I ask your support for Senate Bill 21.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 14, 1997

SUBJECT: Sectional Summary of SB 21; An Act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels. (SB 21)

TO: Senator Robin Taylor

FROM: George Utermohle *GU*
Legislative Counsel

You have requested a sectional summary of SB 21; An Act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels.

As a preliminary matter, note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill sets out the purpose of the bill.

Section 2 of the bill amends AS 19 by adding a new chapter relating to the Alaska Marine Highway Authority.

CHAPTER 55. ALASKA MARINE HIGHWAY AUTHORITY. ARTICLE 1. CREATION AND ORGANIZATION.

Sec. 19.55.010 establishes the Alaska Marine Highway Authority as a public corporation of the state within the Department of Transportation and Public Facilities. The powers of the authority are vested in the board of directors of the authority.

Sec. 19.55.020 relates to the directors of the authority. There are seven directors of the authority: the commissioner of transportation and public facilities and six other persons appointed by the governor. The qualifications for the appointed directors are set out.

The appointed directors serve for staggered five year terms. Appointed directors may only be removed for cause.

The directors of the authority are subject to conflict of interest laws under AS 39.50.

Senator Robin Taylor
January 14, 1997
Page 2

The appointed directors of the authority are entitled to compensation in the amount of \$300 for each day they are engaged in the business of the authority. The directors also receive travel and per diem expenses.

Sec. 19.55.030 provides for the election of officers by the directors of the authority and sets the quorum for meetings of the directors.

Sec. 19.55.040 authorizes the board of directors of the authority to employ a chief executive officer who serves at the pleasure of the board and who may employ additional staff. The officers and the staff of the authority are in the exempt service under AS 39.25.110. The board may also employ consultants and advisors.

ARTICLE 2. POWERS AND DUTIES.

Sec. 19.55.110 sets out the powers of the authority.

Sec. 19.55.120 sets out the duties of the authority.

Sec. 19.55.130 authorizes the authority to operate a ferry system under the name "Alaska Marine Highway System".

Sec. 19.55.140 requires the authority to prepare a comprehensive long-range plan for development and improvement of the ferry system, in cooperation with the Department of Transportation and Public Facilities, at least every five years.

ARTICLE 3. ACQUISITION OF PROPERTY.

Sec. 19.55.210 provides that the authority may acquire land and material necessary for the construction, maintenance, or improvement of the marine highway system.

Sec. 19.55.220 provides that the authority may acquire land for the purpose of exchanging the land for other land that the authority needs to acquire.

Sec. 19.55.230 provides that the authority may vacate land or rights in land held by the authority. The authority may transfer its surplus lands to the Department of Natural Resources for disposal. The proceeds of the disposal shall be returned to the source of funds from which the original purchase of the land was made.

ARTICLE 4. VESSELS AND FERRY TERMINAL FACILITIES.

Sec. 19.55.310 authorizes the authority to construct, purchase, or lease ferry terminal facilities, to connect ferry terminal facilities with local highway systems, and to adopt

regulations regarding the use of ferry terminal facilities by the public and to set fees for the use of terminal facilities. The authority shall repair and maintain the facilities that it owns.

Sec. 19.55.320 provides that the vessels and facilities of the authority shall be named by law.

ARTICLE 5. BUDGET AND REVENUE.

Sec. 19.55.410 provides that the authority is subject to the Executive Budget Act and that the expenditures of the authority are subject to appropriation by the legislature.

ARTICLE 6. GENERAL PROVISIONS.

Sec. 19.55.910 provides that the board of the authority shall annually submit a report to the governor and legislature regarding its operations, income, and expenditures for the preceding fiscal year.

Sec. 19.55.920 provides that the authority shall have its financial records audited annually and that the legislative auditor may prescribe the form and content of the financial records of the authority.

Sec. 19.55.990 sets out the definitions of "authority" and "ferry".

Sec. 19.55.995 provides that this chapter may be cited as the Alaska Marine Highway Authority Act.

Section 3 of the bill makes a technical amendment to AS 03.53.010(a) relating to the transportation of animals aboard state ferries.

Section 4 of the bill makes a technical amendment to AS 18.65.755(a) relating to the carrying of a concealed handgun on a vessel of the authority.

Sections 5 - 9 of the bill make technical and editorial amendments to AS 19.65 relating to the Alaska Marine Highway System Fund.

Section 10 of the bill amends AS 23.40.040 to provide that the authority shall be responsible for negotiating with the unions representing the employees of the authority.

Section 11 of the bill makes a technical amendment to AS 29.35.722 relating to the transfer of assets of the authority to a port authority.

Sections 12 - 13 of the bill make technical amendments to AS 35.10.015 relating to access to and use of state ferry vessels by handicapped, aged, and infirmed passengers.

Sections 14 - 17 of the bill makes amendments to AS 35.27 to provide that the authority is responsible for the application of the art in public places program to vessels and facilities of the authority.

Sections 18 - 20 of the bill amend provisions of the procurement code (AS 36.30) and set out the responsibilities of the authority under the procurement code.

Section 21 of the bill amends AS 36.90.050(a) relating to in-state maintenance of state-owned marine vessels.

Section 22 of the bill makes technical amendments to AS 37.05.550 relating to the Alaska Marine Highway System Vessel Replacement Fund.

Section 23 of the bill makes a technical amendment to AS 39.20.310(8) relating to the eligibility of ship board employees of the authority to participate in the leave system for state employees.

Sections 24 of the bill amends AS 39.25.110(11) to provide that the employees of the authority are in the exempt state service.

Section 25 of the bill makes a technical amendment to AS 39.30.150(b) relating to the participation of certain employees of the authority in the supplemental employee benefit program (SBS).

Section 26 of the bill makes a technical amendment to AS 39.35.680(21) relating to the participation of certain employees of the authority in the Public Employees Retirement System.

Section 27 of the bill amends AS 39.50.200(b) to provide that directors of the authority are subject to the conflict of interest law (AS 39.50).

Sections 28 - 29 of the bill amend AS 44.42.020 in order to transfer the authority of the Department of Transportation and Public Facilities over the planning, design, construction, maintenance, management, and operation of the facilities, vessels, and equipment of the marine highway system to the authority.

Section 30 of the bill provides for the transfer of the employees, appropriations, and assets of the Division of Marine Transportation in the Department of Transportation and Public Facilities to the Alaska Marine Highway Authority upon enactment of this bill. This section also provides that nothing in this bill terminates or modifies the bargaining representation or bargaining agreements that are in effect at the time of enactment of the bill.

Senator Robin Taylor
January 14, 1997
Page 5

Section 31 of the bill provides for the terms of the initial appointees to the board of directors of the authority in order to provide for staggered terms.

Sections 32 - 33 of the bill repeal unnecessary provisions of AS 19.65 (Alaska Marine Highway System), which have been replaced by provisions of AS 19.55 as contained in sec. 2 of this bill. AS 39.25.110(16) relating to the exempt status of ship board employees of the division of marine transportation is repealed. Section 5, ch. 94, SLA 1992, which provides for the repeal of AS 36.90.050 (instate maintenance of state marine vessels; see sec. 21 of the bill) is itself repealed.

Sections 34 - 35 provide effective dates for provisions of the bill. Sections 1 (purpose), 21 (instate maintenance of state marine vessels), 31 (initial appointment of members of the board of the authority), and 33 (repeal of sec. 5, ch. 94, SLA 1992) take effect immediately. The remainder of the bill takes effect on January 1, 1998.

GU:pl
97-006.plm

K

J

C

adopted. 2/5/97
Draft

Ketchikan Indian Corporation

(Tribal Council)

429 DEERHOUND AVENUE
KETCHIKAN, ALASKA 99901
(907) 225-6168
FAX (907) 247-0129

RESOLUTION: KIC 97-09

TITLE: SUPPORT OF SENATE BILL NO. 21: "An Act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels; and providing for an effective date."

BY: KETCHIKAN INDIAN CORPORATION TRIBAL COUNCIL

WHEREAS, the Ketchikan Indian Corporation is a federally recognized Tribal government pursuant to the Indian Reorganization Act (IRA) of 1936 as amended; and

WHEREAS, the Ketchikan Indian Corporation Tribal Council is the representative Tribal government of the Ketchikan Indian Corporation, a sovereign, federally recognized IRA Tribe whose membership resides in the Ketchikan area; and

WHEREAS, the health, education, and welfare of its membership is of paramount importance to the well being of the Ketchikan Indian Corporation; and

WHEREAS. The Ketchikan Indian Corporation and its membership are affected by the effective and efficient operation of the Alaska Marine Highway System as stated in Section 19.55.120. **Duties of authority.** The authority shall

- (1) assist the residents, businesses, and communities of the state in obtaining optimal marine passenger and freight service;
- (2) schedule vessel sailings to optimize the frequency of service to all ports;
- (3) encourage and integrate with other public and private carriers to the greatest extent possible to provide ferry service within the state and between Alaska ports and ports outside the state in order to provide optimum service within the state;
- (4) provide reservation access and marketing information throughout the state;
- (5) encourage vessel construction, maintenance, and service in the state to the greatest extent possible;
- (6) employ residents of the state to the greatest extent legally possible;
- (7) recognize Alaska unions and employee associations to the greatest extent legally possible.

Resolution KIC 97-09

Page 2

SO THEREFORE BE IT RESOLVED, that the Ketchikan Indian Corporation hereby supports Senate Bill No. 21.

CERTIFICATION

The foregoing resolution was adopted at a duly convened meeting of the Ketchikan Indian Corporation Tribal Council, assembled this 5th day of February, 1997, at the Ketchikan Indian Corporation, 429 Deennount Avenue, Ketchikan, Alaska 99801, by a vote of _____ FOR, _____ AGAINST, and _____ ABSTAINING.

Stephanie D. Rainwater, President

Date

ATTESTED:

Gerald E. Hope, Secretary

Date

SB

27

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB27

Revision Date: _____ Dept. Affected: DOT/PF
 Title: An Act . . . relocation to Ketchikan of certain BRU: Marine Administration
offices, functions, and employees of the AMHS Component: Administration
 Sponsor: Senator Robin Taylor
 Requester: Senate Transportation COMPONENT SERIAL NO. 621

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL	450.0	80.0	80.0	80.0	80.0	80.0
CONTRACTUAL	265.0	527.7	527.7	527.7	527.7	527.7
SUPPLIES	50.0					
EQUIPMENT	100.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	865.0	607.7	607.7	607.7	607.7	607.7

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	865.0	607.7	607.7	607.7	607.7	607.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	865.0	607.7	607.7	607.7	607.7	607.7

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Gary L. Hayden, System Director Phone: 465-3959
 Division: Alaska Marine Highway System Date: 3/10/97
 Approved by: Joseph L. Perkins, Commissioner Date: _____
 Agency: Department of Transportation and Public Facilities

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
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1. FY 98 travel assumes relocation expenses for 60 employees at an average cost of \$7,500. This includes airfare and per diem (2 trips) to locate housing, and moving of household goods.
2. Travel in subsequent years is increased due to specialty training only available in Juneau, and increased travel for management personnel for meetings with DOT/PF regional directors, planning staff, and trips required during Legislative session.
3. FY 98 contractual assumes office furniture, files and equipment moving cost (including work station tear down (modular), re-configuration and assembly, computer cable installation in Ketchikan, 4 months of space expense and mainframe costs. Subsequent years include \$84.0 for additional mainframe connection costs (off hub) and \$443.7 office and warehouse space lease costs.
4. FY 98 supplies include computer network cable and office space dividers to replace those currently supplied by DOT/PF.
5. FY98 equipment cost associated with new phone system for AMHS (currently on State system). This is based on the initial cost to AMHS for to transfer to the new state system. It does not include any annual base cost adjustments.

This fiscal note does not include the approximate \$3,000.0 cost of constructing a office facility in Ketchikan.

A economic analysis is being performed by an outside contractor, including surveying employees as to whether or not they would consider relocating. This will enable the contractor to more closely approximate the relocation costs associated with employees.

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

352 Front Street
Ketchikan, Alaska 99901
(907) 225-8088
Fax: (907) 225-0713

Senator Robin L. Taylor

MEMORANDUM

TO: Senator Jerry Ward, Chairman
Senate Transportation Committee

FROM: Senator Robin Taylor *R.L.T.*

DATE: 3/10/97

RE: Hayden Letter 3/7/97

Please request a copy of the "incomplete" draft Mr. Hayden refers to in the attached letter dated 3/7/97.

Mr. Hayden put out his \$25,000 RFP based on the speculation that a bill moving the AMHS headquarters would be introduced. He acknowledged to the Finance subcommittee on the DOT/PF budget a draft was received from the contractor.

As your committee takes up SB 27, it should have a complete picture of how AMHS obtained "accurate and more complete" information than was provided in the initial draft report. What did that report say and what "comments, corrections and additional ideas" did Mr. Hayden provide to the contractor?

At a time when Mr. Hayden and Commissioner Perkins are blaming the Legislature and their own employees for everything that is wrong at AMHS, they choose to spend \$25,000 to cover their backsides with an "analysis" commissioned before a bill was even filed! The draft already provided to Mr. Hayden is a public document and should be provided to the Transportation Committee immediately.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3959
FAX: (907) 465-2474
PHONE: (907) 465-3900

March 7, 1997

The Honorable Robin Taylor
Alaska State Legislature
State Capitol, Room 30
Juneau AK 99801-1182

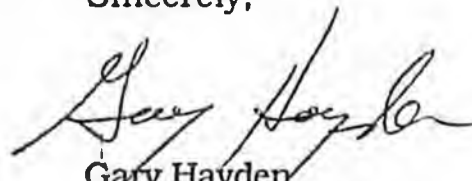
Dear Senator Taylor:

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The schedule which we provided you, indicates a draft report is due to the Department on March 15, 1997. The consultant indicates a draft could be available a little earlier on March 13th. The consultant will also be in Juneau and could be available to the Transportation Committee on either March 14, 15, or 17.

It is requested that the hearing be delayed until March 17. This will allow the committee to have accurate and more complete information.

Sincerely,



Gary Hayden
System Director

cc: Senator Jerry Ward, Chairman, Senate Transportation Committee

30-125
50-5598



**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
ALASKA MARINE HIGHWAY SYSTEM**

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March 7, 1997

The Honorable Robin Taylor
Alaska State Legislature
State Capitol, Room 30
Juneau AK 99801-1182

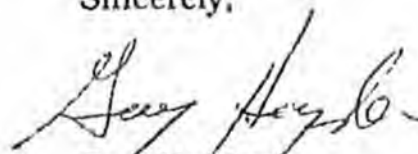
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Sincerely,


Garry Hayden
System Director

cc: Senator Jerry Ward, Chairman, Senate Transportation Committee

Post-it* Fax Note	7671	Date	3/10	# of Pages	
To	Sen Ward.	From	Garry Hayden		
Co/Dept.		Co.			
Phone #		Phone #	3959		
Fax #	3766	Fax #			

Impact Analysis:
Relocation
of the DOT & PF
Alaska Marine Highway System
Administrative Offices
to Ketchikan

March 15, 1997



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Overview

The Alaska Department of Transportation and Public Facilities, Alaska Marine Highway System, sought an analysis of the economic impact and a summary of the issues concerning the proposed movement of AMHS administrative offices from Juneau to Ketchikan. This interim report presents an analysis of the move impacts. Completion of the employee survey currently underway will allow a finer calibration of the findings, but is unlikely to significantly change the results.

This report presents several analytical approaches.

- First, a stakeholder analysis identifies the non-economic impacts on the parties affected by a move of AMHS administrative offices.
- Second, a cost/benefit analysis on an AMHS cash flow basis presents the operational impacts of a move.
- Finally, it presents the economic impacts of a move on the communities of Juneau and Ketchikan.

Following these three analyses, the report summarizes the contract findings.

The question of the AMHS administrative office move arises during difficult economic times, both for Ketchikan and for state government in general. The impending closure of Ketchikan's pulp mill will create significant unemployment and a downturn in the community's economy. Alaskan political leaders are looking for positive steps that can be taken to assist Ketchikan through this difficult transition.

At the same time, however, Alaska's state government feels growing fiscal pressure from decreasing oil revenues. Alaskans expect a downsizing of state government services for the rest of this decade. Any move of AMHS administrative offices will be examined closely for cost justification. If the public perceives a move as wasting state resources, AMHS will suffer.

I. Stakeholder Issues

Any relocation of a major office, whether in the public or private sector, results in costs and benefits that are perceived differently by different stakeholders in the office's operation. In the private sector, all costs flow to the company's bottom line. In the move of a public sector office, competing alternatives may result in budgetary changes to multiple departments, with costs and benefits spread differentially. AMHS is a public sector entity, but must operate in part like a private sector entity, generating 60% of its budget from passenger and freight revenues. In this respect, any cost savings or new costs flow to AMHS' bottom line.

Who are the stakeholders?

The effects of the proposed move would impact a large number of organizations. Each organization with a stake in AMHS operations, whether on the revenue or expenditure side, will



be affected to some extent. In our analysis we define stakeholders as parties who generate revenues and/or costs relative to AMHS.

Figure 1: Direct Economic Stakeholders

Revenue side	Expenditure side
Passengers	AMHS on-shore employees
Alaska residents	AMHS vessel employees
Visitors	AMHS management
Vehicles	Contractors
Freight shippers	Suppliers
Alaska residents	Alaska Department of Administration
Visitors	
The Alaska Legislature	

In addition to the direct economic stakeholders, the following parties are substantially economically impacted by AMHS operations, and may have a stake in the question of a move of AMHS administrative offices and staff:

Figure 2: Indirect Economic Stakeholders

Revenue side	Expenditure side
Ferry system communities	Private Sector Competitors
Residents	Air Carriers
Businesses	Cruise Ship Operators
State Government	Passenger Ferries (current/potential)
DOT&PF	
Dept. of Corrections	
Dept. of Administration	
Alaska Court System	

The impacts to stakeholders include costs to AMHS and other state agencies as detailed in the cash flow impact analysis and economic effects on Juneau and Ketchikan as outlined later in this report. In addition to cash flow and economic effects, there are other, non-economic, impacts. While the analysis of institutional impacts may appear subjective, the underlying issues may provide a better understanding of the true meaning of the effect of a move on Juneau, Ketchikan, and Southeast Alaska.

Effects of a move on AMHS customers

In large part, the move will have little direct impact on AMHS customers. Most passenger contact with AMHS is over the toll-free 800-number. Potential passengers who call for reservations probably do not know or care where they are calling; a change would make no difference as long as communications are of acceptable quality.

There would be some impact to customers who visit AMHS administrative offices. This would be particularly significant for those Southeast and Southwest Alaska community representatives who travel to Juneau throughout the year to visit the DOT/PF Commissioner's offices and AMHS administration to discuss transportation needs. For these communities, an additional

trip to Ketchikan could be necessary, adding time, distance and travel costs to the journey. In addition, as shown by the figure below, travel opportunities to Ketchikan are somewhat less than those to Juneau:

Figure 3: Southeast Air Connections

	From Juneau	From Ketchikan
To Anchorage	4x daily, 1.5 hr - 3 hr	2x daily, 4.5 hr - 6 hr
To Petersburg	1x daily, 45 min	1x daily, 1.5 hr
To Seattle	5x daily, 3.5 hr - 5 hr	3x daily, 1.5 hr
To Sitka	1x daily, 40 min	2x daily, 50 min - 1.5 hr
To Wrangell	1x daily, 1.5 hr	1x daily, 35 min
	To Juneau	To Ketchikan
From Anchorage	4x daily, 1.5 hr - 3 hr	2x daily, 4 hr - 5 hr
From Petersburg	1x daily, 1.5 hr	1x daily, 1.5 hr
From Seattle	5x daily, 2.5 hr - 6 hr	3x daily, 2 hr
From Sitka	2x daily, 40 min	1x daily, 40 min
From Wrangell	1x daily, 2.5 hr	1x daily, 45 min
Total flights to and from	17x daily	13x daily

As will be shown below, travel issues impact many of the AMHS operations.

Effects of a move within DOT/PF

Separation of the AMHS administrative offices from the rest of the Department's offices will also have an impact on AMHS. The absence of (or reduction in) formal and informal day-to-day contact between AMHS leadership and the Commissioner's office will reduce the quality of communication and restrict the opportunities to work together to solve problems. Any loss of opportunity for contact between the Commissioner's office and AMHS can only be detrimental to the system.

The Commissioner is conducting an efficiency review of DOT&PF operations to save money for the state and to bring a greater emphasis on direct service to the public. While the review is still underway, one can speculate that the plan will include tighter integration of planning, design, engineering, and administrative support across divisions and regions. A similar 1992 report recommended consolidation of Southeast transportation system administration, including budget, finance, personnel/payroll, procurement and clerical support. The physical separation of AMHS administrative offices from the rest of DOT&PF may inhibit these cost-savings efforts.

Of particular concern to AMHS stakeholders should be the effect of AMHS' absence from everyday decision-making by the department. Distance rarely improves influence, and frequently has a negative effect. "Out of sight" is likely to lead to "out of mind" in departmental planning and budget-making. It is not unlikely that a future Commissioner, separated from AMHS by distance, will tend to focus his or her efforts on roads, airports and ports rather than

the marine highway system. When the Commissioner determines the proposed allocation of federal funds for highways, it may be that he or she will wear "roads-colored glasses", resulting in fewer federal dollars for marine highway improvements.

Also important is the greater difficulty in coordinating transportation planning with other transportation modes. The core public service sought by customers in Southeast and Southwest Alaska is transportation of people and goods, which requires good coordination of marine, land and air transportation. If AMHS administrative offices are physically separate from other planning functions within the Department, coordinated planning will suffer.

How Ketchikan views AMHS administration

The AMHS administrative offices are seen by many in Ketchikan as "Juneau-centric", top-heavy and/or overly bureaucratic. Meetings with opinion leaders indicated a general sense that the AMHS administration is not looking out for the interests of their Ketchikan-based staff, the marine maintenance facility, or the community. Many appear to believe that AMHS management is choosing Seattle over Ketchikan for major maintenance based on non-economic reasoning.

Such a view of a central office by those most closely in touch with a regional or division office is common, both in private industry and in government. Division staff may not understand all of the issues considered by a central office in its decision-making, and in the absence of regular and good communication will often ascribe motivations that have little basis in reality. Nonetheless, perceptions have real consequences.

The perceptions in Ketchikan clearly require an strategy for improving administrative/staff and Juneau/Ketchikan communication. Improved communication between Juneau headquarters and Ketchikan staff should not, however, come at the cost of disrupted communication between Juneau headquarters and its customers and Departmental co-workers. It would be far less expensive, and far less disruptive, for the AMHS administration to send the director or a top manager from Juneau to Ketchikan for one day each week throughout the year than to send 100 employees from Juneau to Ketchikan.

II. Cost/Benefit Issues

The financial costs and benefits of moving the AMHS administrative offices will be spread across several state agencies and the AMHS-served communities. This section of the report identifies the areas that will incur costs or receive benefits and, where possible, quantify these costs and benefits.

The cost/benefit analysis requires the analysis of a number of factors, some fairly straightforward (such as space requirements), and some not (the number of employees who would make the move from Juneau to Ketchikan). Most factors are somewhere in between, where an estimate can be made based on standards and conditions found elsewhere in similar situations. This analysis identifies the factors that would impact the decision of moving the

AMHS offices, and makes clear the assumptions that must necessarily be made when calculating the costs and benefits for each.

Ongoing operational costs

AMHS operational costs (in direct outlays of dollars from the AMHS budget), including facilities rent, will increase by approximately \$638,000 annually if the administrative offices are moved to Ketchikan. Of this total, roughly \$459,000 is attributable to space requirements and could be partially alleviated by capital construction funding. The remaining \$179,000 in annual costs are focused primarily in communications and travel costs. From the perspective of the broader state budget, there would be some partial offsets to these costs, but any offsetting benefits would accrue to other state agencies, rather than AMHS.

Data communications would have to move off the mainframe hub; voice circuits switched from the state system in Juneau to the municipally-owned Ketchikan Public Utilities. It remains to be determined whether AMHS data functions could effectively function off-hub. AMHS data communications costs are estimated to increase by \$84,200 annually, and voice communications by \$24,000.

Travel costs are likely to be significant due to operational requirements for AMHS administrative staff to be in Juneau for regular meetings and interaction with the legislature, DOT/PE, and other state agencies. Travel costs are estimated to increase by just over \$70,000 annually.

Communications

Based on current AMHS communications usage — both voice and data — communications costs will increase by approximately \$84,000 annually as shown in the figure below:

Figure 4
Data communications costs*

Location	Juneau monthly costs	Ketchikan installation cost	Ketchikan monthly costs	Increase (decrease) in monthly cost
WAN charges	\$ 1,323.00	\$6,897.50	\$3,814.56	\$2,491.56
SNA Gateway	416.50	1,116.00	1,200.88	784.38
SNA Controller	1,984.50	2,232.00	5,721.84	3,737.34
Wiring for new building		34,350.00		
CCMail separation costs		5,500.00		
Total one-time costs		\$50,095.50		
Total monthly costs	\$3,724.00		\$10,737.28	\$7,013.28
Total annual costs	\$ 44,688.00		\$ 128,847.36	\$ 84,159.36

*See Exhibit B for more detail on these costs

The long-distance tariffs for Ketchikan and Juneau calls are similar enough to expect little change in long distance costs for current traffic. There will therefore be virtually no impact on the reservations operation from a long-distance toll standpoint. To the extent long-distance communications are required between Ketchikan-based AMHS staff and other state offices in Juneau, there will be new costs.

The state does not currently keep records of the telephone traffic between state offices in Juneau, so there is not a perfect basis to estimate the volume of new long-distance traffic the move would require. The offices with the most interaction with other state agencies are AMHS administration (3 positions) and AMHS Support Services (44 positions). Assuming 25 of these staff make two daily 5-minute calls to Juneau-based state offices, the remainder make one weekly 5-minute call to Juneau-based state offices, and each other AMHS administrative staff member makes one weekly 5-minute call to a Juneau-based state office, toll charges will be \$24,000 annually. Clearly, some staff members will exceed these assumptions, while others will make few or no calls. Whatever the volume, there will be an increase in voice traffic. For purposes of this report, and in the absence of better call volume estimates, \$24,000 is used as the cost of increased long-distance tolls.

A far larger concern is that of data access. The state data system does not provide the same quality service off-hub Ketchikan as at the Juneau hub. Figure 4 shows costs assuming all administrative offices are moved from Juneau to Ketchikan. The major cost drivers are offices requiring access to the state mainframes in Juneau; currently these are the reservations and finance-related offices. If either of these offices are left in Juneau, costs will not increase as significantly.

While one may speculate that over time Ketchikan will improve its telecommunications infrastructure, the same is likely to be true in Juneau, leaving AMHS offices in Ketchikan lagging technologically. Good telecommunications capability is crucial to the ability of the system to meet customer needs.

Travel

A move of the AMHS administrative offices from Juneau to Ketchikan clearly provides better in-person service to customers in Ketchikan and southern Southeast Alaska. It should be noted, however, that for customers from elsewhere on the Southeast mainline and in Southwest, travel time, distance and cost for in-person meetings would be increased.

A major "customer" of AMHS, providing up to 40% of system revenues, is the Alaska legislature. A major operational impact of a move of AMHS administrative offices to Ketchikan is the need and cost of sending AMHS staff to and from Juneau, often on short notice, to meet the informational needs of the Alaska legislature and its staff. It is likely that AMHS, like other state entities located outside Juneau would find the need to almost permanently station staff in Juneau during the legislative session to meet the needs of these important customers.

Scheduled airline traffic between Ketchikan and Juneau would affect AMHS operations for meetings between AMHS administration and those state offices located in Juneau. Following are the current Alaska Airlines schedules between Ketchikan and Juneau:



Figure 5: Juneau/Ketchikan Air Schedule

From Ketchikan to Juneau:

	<u>Depart Ketchikan</u>	<u>Arrive Juneau</u>	<u>Time en route</u>
AS 65	9:16 a.m.	12:42 p.m.	3 hrs. 26 min.
AS 67	4:09 p.m.	6:02 p.m.	1 hr. 53 min.
AS 69	9:10 p.m.	10:03 p.m.	53 min.

From Juneau to Ketchikan:

	<u>Depart Juneau</u>	<u>Arrive Ketchikan</u>	<u>Time en route</u>
AS 60	6:00 a.m.	6:54 a.m.	54 min.
AS 62	10:14 a.m.	12:06 p.m.	1 hr. 52 min.
AS 64	2:20 p.m.	4:47 p.m.	2 hrs. 27 min.

This schedule shows that it is not possible for Ketchikan-based staff to attend morning or early afternoon legislative meetings in Juneau without staying the previous night. Sample round-trip itineraries from Ketchikan to Juneau and return include:

All day meeting

Day 1 AS 69 Ktn-Jnu 9:10 p.m. / arrive 10:03 p.m.
 Day 2 Meeting 8 a.m. to 4:30 p.m.
 Day 3 AS 60 Jnu-Ktn 6:00 a.m. / arrive 6:54 a.m.

Half-day morning meetings

Day 1 AS 69 Ktn-Jnu 9:10 p.m. / arrive 10:03 p.m.
 Day 2 Meeting 8 a.m. to 1 p.m.
 AS 64 Jnu-Ktn 2:20 p.m. / arrive 4:47 p.m.

Half-day afternoon meetings

Day 1 AS 65 Ktn-Jnu 9:16 a.m. / arrive 12:42 p.m.
 Meeting 1:30 p.m. to 4:30 p.m.
 Day 2 AS 60 Jnu-Ktn 6:00 a.m. / arrive 6:54 a.m.

In most cases, attending both morning and afternoon meetings in Juneau would require a two-night stay. Even a half-day meeting requires an overnight stay and travel during the remainder of the day of the meeting. The impact of the difficulty for Ketchikan-based administrative staff to timely meet the information needs of legislators cannot be underestimated.

Interviews with AMHS staff indicate significant contact requirements with other state agencies in Juneau. These include contact between:

- AMHS management staff with the Commissioner and other DOT/PF directors,
- AMHS budget staff with the Office of Management and Budget and with the administrative officers of other DOT/PF divisions and other state agencies,
- AMHS personnel and management staff with the Department of Administration on collective bargaining and labor relations issues,
- AMHS personnel staff and the Division of Personnel on issues relating to hiring and other personnel decisions,

- AMHS management staff with the Office of the Attorney General concerning litigation, and
- AMHS computing and finance staff for computer systems training.

Estimates of additional travel required between Ketchikan and Juneau are shown in Figure 6.

Figure 6
Projected Ketchikan - Juneau - Ketchikan Travel

	Trips	Over- nights
<u>AMHS Director</u>		
Weekly trips during legislative session, average 2.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	51
Biweekly trips during remainder of year, average 1.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	34
<u>Support Services Manager</u>		
Weekly trips during legislative session, average 2.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	51
Biweekly trips during remainder of year, average 1.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	34
<u>Engineering Manager, Transportation Planner</u>		
3 trips each during legislative session, average 2.5 working days	6	18
5 trips each during remainder of year, average 1.5 working days	10	20
<u>Accountant IV</u>		
Monthly trips, average 1.5 working days	12	24
<u>Payroll Supervisor</u>		
Bi-monthly trips, average 1.5 working days	6	12
<u>Programmer/Analyst</u>		
Quarterly trips, average 2.5 working days	4	12
<u>Finance Staff</u>		
Staff training in AKSAS, average 1.5 working days	6	12
<u>Terminal & Ship Services Manager</u>		
Quarterly trips, average 2.5 working days	4	12
<u>Marine Transportation Services Manager</u>		
Quarterly trips, average 2.5 working days	4	12
Total trips	120	
Total overnights		292

There would obviously be a reduction of trips from Juneau to Ketchikan and return, which we estimate at 20 trips annually. We assume half of these trips currently require a single overnight, while half are day trips. Additional travel and per diem costs are as follows:

Additional costs of travel

Estimated 120 trips, 292 nights	
Airfare (Ktn-Jnu-Ktn @ \$250 average)	\$30,000
Car rental or state equipment fleet (\$30/day average)	9,000
Hotel (\$90 average, including tax)	27,000
Meals and incidentals (\$42 average)	<u>12,300</u>
Subtotal	\$78,300
Less: Flights from Juneau to Ketchikan saved	-5,000
Hotel, car rental, meals & incidentals saved	<u>-2,500</u>
Total additional travel costs	\$70,800

The above costs are a reasonable estimate of travel requirements to Juneau. Certainly a significant portion of communication between state agency officials can be by telephone. Nonetheless, it would be naive to assume there is no loss of quality of interaction in purely telephonic communication between commissioners and their staff, between agency fiscal officers and the state divisions of finance, personnel, or labor relations, or between state officials and the legislature. If AMHS is out of sight, it could be out of mind for others in the state bureaucracy, with impacts that are hard to predict.

Support services

Laundry services are currently performed by the Department of Corrections (DOC) under AS 33.32.030(c). A move of AMHS administrative offices would require staff in Juneau to pick up and deliver laundry from DOC's Lemon Creek facility. No new costs have been assigned to this function. The costs for the food service, automotive fleet, and other support operations would remain the same. Any Juneau-required functions could be performed by the port staff and the handful of positions that would remain in Juneau, at no net cost increase to the system.

Fixed and one-time costs

The fixed and one-time costs associated with the proposed move include

- construction or leasing of office and warehouse facilities;
- movement of personnel and equipment.
- productivity loss, training and retraining of personnel; and
- relocation and creation of communications networks.

In the fixed cost arena, the largest driver is the need for office and warehouse space. Approximately 19,700 square feet of office space and 5,000 square feet of warehouse space would need to be provided in Ketchikan to house the AMHS administrative functions currently located in Juneau. No existing Ketchikan facility can meet these needs.

An obvious one-time cost is the movement of personnel and equipment to the new location. State administrative procedures dictate the process for movement of staff, dependents and their households. Movement of furnishings, fixtures, equipment, and files must be carefully

coordinated to allow continuation of essential administrative procedures, including billing, cash receiving and payroll during the move process.

A third cost of a decision to move results from staff turnover among those who choose not to move. Costs include hiring of temporary or permanent replacements in Juneau or Ketchikan and training or retraining of those replacements.

Finally, the communications networks must be recreated at the new location, including the local area network and SNA connections to the Juneau mainframe.

In general, all fixed cost issues point toward an overall negative impact of office movement with the possible exception of the net present value of the current space occupied by the administrative offices. As detailed below, this item alone can yield a wide range in the net present value cost or benefit of the move, depending on how the observer views the economic and budgetary impacts of the cost of space requirements.

Space requirements

Based on the research conducted during the preliminary economic analysis, no space is currently available for lease or purchase in Ketchikan that would completely meet the needs of the AMHS administrative offices (currently 19,700 square feet in two Juneau facilities, plus approximately 5,000 square feet of warehouse space). AMHS currently occupies a mix of state-owned and leased space. Neither AMHS nor any other state agency pay rent on the state-owned space; the Department of Administration pays costs of leased space. Sufficient acceptable space could be constructed in Ketchikan by the private sector and leased to the AMHS for an estimated \$1.75 per square foot per month. Alternatively, the state could construct acceptable space for an estimated \$3 million.

There are at least three ways to look at the economic and budgetary impacts of space costs in Ketchikan and Juneau:

1. A pure economic analysis would assign an opportunity cost to the state-owned space (the cost of leasing new space in Juneau) and a smaller opportunity cost to the leased space (the difference between the cost of leasing new space in Juneau and the cost of the AMHS leased facilities). These would be compared to the cost of new space in Ketchikan (with or without a qualitative component between the higher quality new space in Ketchikan and the space in Juneau).
2. A state cost analysis would look at the differences between the outlays of state funding for all agencies on a current annual basis between the new space in Ketchikan and the currently occupied space in Juneau.
3. An AMHS cost analysis would look at the differences between the outlays from the AMHS Fund on a current annual basis between the new space in Ketchikan and the currently occupied space in Juneau.

These three approaches yield sharply different results:

1. The pure economic analysis would compare the estimated new \$1.75 per month office cost in Ketchikan with the opportunity cost of office space in Juneau of approximately \$2.25 per month. Under this analysis, the move would save \$118,200 annually, the difference between the totals shown in Figures 7(b) and 7(c). This assumes other state offices currently leasing space at \$2.25 could and would move into the leased and owned space vacated by AMHS. An additional adjustment may need to be made due to the less than ideal condition of the Glacier Avenue reservation offices.
2. The state cost analysis would compare the new \$1.75 cost per month in Ketchikan for 19,700 square feet with the current \$1.91 cost for 12,500 square feet and the current free space of 7,200 square feet. Under this analysis, the net annual cost of the move would be \$135,570, the difference between the totals shown in Figure 7(a) and 7(b). This assumes the state can find an alternative state agency user for the space currently occupied in Juneau whose lease is up for renewal at the time of the AMHS transfer and whose lease costs are approximately the same as AMHS'; the Department of Administration space leasing cost savings would offset the AMHS increased cost of \$458,700.
3. The AMHS cost analysis requires either (1) all new lease costs and benefits to be charged to AMHS, for a total of \$458,700 annually as shown in Figure 7(b) or (2) a capital appropriation of an estimated \$3 million for construction of the office facility in Ketchikan and annual operating costs of an estimated \$45,000 for warehouse space.

Figure 7
Cost of Space Requirements

7a) Juneau - actual cost	Leased Space in DOT/PF	Owned Space on Glacier Ave	Warehouse Space	Total
Current square feet	12,500	7,200	5,000	24,700
Lease price / sq. ft. / month	\$ 1.91			
Lease / year	\$ 286,530			\$ 286,530
Utilities / year (estimated)		\$ 21,600	\$ 15,000	\$ 36,600
Total cost / year (estimated)	\$ 286,530	\$ 21,600	\$ 15,000	\$ 323,130

7b) Ketchikan - projected cost	Leased Space	Warehouse Space	Total
Square feet	19,700	5,000	24,700
Lease price / sq. ft. / month	\$ 1.75	\$ 0.50	
Lease / year	\$ 413,700	\$ 30,000	\$ 443,700
Utilities / year (estimated)		\$ 15,000	\$ 15,000
Total cost / year (estimated)	\$ 413,700	\$ 45,000	\$ 458,700

7c) Juneau - opportunity cost	Leased space	Owned space	Warehouse Space	Total Space
Current square feet	12,500	7,200	5,000	24,700
Lease price / sq. ft. / month	\$ 2.25	\$ 2.25	\$0.50	
Lease / year	\$ 337,500	\$ 194,400	\$ 30,000	\$ 561,900
Utilities / year (estimated)			\$ 15,000	\$ 15,000
Total cost / year (estimated)	\$ 337,500	\$ 194,400	\$ 45,000	\$ 576,900

The next figure shows the gross dollar flows and present values over a 25-year period, assuming lease rates increase at 3% annually, and using a 6% discount to present value:

Figure 8
Present value of space cost changes

	Juneau offices	Ketchikan offices	Juneau offices opportunity cost
Undiscounted cash flows over 25-year period	\$11,781,082	\$16,723,865	\$21,033,350
Opportunity cost savings of Ketchikan alternative			\$4,309,485
Increased cost to AMHS of Ketchikan alternative		\$4,942,782	
Present value of cash flows over 25-year period	\$5,847,380	\$8,300,662	\$10,439,616
Opportunity cost savings of Ketchikan alternative			\$2,138,954
Increased cost to AMHS of Ketchikan alternative		\$2,453,283	

Among the three alternative approaches to space cost, no one alternative is best. The opportunity cost approach would most likely best satisfy economists; the state cost analysis provides the best measure of net costs to the State of Alaska; the AMHS cost analysis shows the effect on AMHS budget and operations.

Since the full costs of an AMHS move will be borne by AMHS, the \$2.45 million net present value of the Ketchikan office space should be used as the basis for comparison of the Ketchikan and Juneau locations. Downward adjustments to this number could be considered if (1) any of the current AMHS administrative offices stayed in Juneau, (2) the current two-location office situation in Juneau were replicated in Ketchikan and lower-priced existing office space could be located in Ketchikan, or (3) any Juneau staff could be relocated to currently-owned or leased state space in Ketchikan.

Movement of personnel

How many would move?

There are 116 administrative positions in Juneau, of which 95 are currently staffed. Assuming normal operations, about 20 positions are vacant or forced vacant at any given time. These positions could obviously be transferred without household moving costs. About five support positions would remain in Juneau, and would not need to be moved.

There is no way to predict with full confidence the number of the other 90 people that would move to Ketchikan. One method is to ask the employees. Based on partial results from the employee survey conducted for this report, 28% of the employees would "definitely" or "probably" accept transfer and move to Ketchikan, 41% would "definitely not" or "probably not" accept a transfer, and 31% are "not sure."

Many of the employees would seek alternative employment. Among those answering "probably not" or "definitely not," 94% indicated they would seek alternative employment in Juneau or elsewhere in Alaska. Twenty-five percent of these employees are managerial or executive, 12% are professional, and 63% are clerical or technical. Some indicated they have already started looking for new work, and several are already interviewing with other positions with the state.

These employees' positions will be vacated and will need to be refilled during the roughly 18 months between a decision to move and the move itself. AMHS will face no easy choices during this period: either positions will be filled on a permanent basis, and AMHS will have to pay their moving costs to Ketchikan, or the positions will be filled temporarily, and AMHS will have to train both the temporary replacement in Juneau and later the permanent replacement in Ketchikan. Furthermore, the pool of applicants to fill the jobs during the interim will be smaller, consisting only of individuals willing to relocate to Ketchikan or only of individuals willing to accept temporary assignments.

Excluding survey respondents who were not sure whether they would accept a transfer, 41% of survey respondents would move, with an average of 1.8 children and dependents each. The survey thus would indicate a minimum of 37 current personnel and 67 dependents would move. Assuming the same percentage of replacement personnel would also move, an additional 22 personnel and 40 dependents would move, for a total of 59 personnel and 107 dependents.

Movement of households

Under existing labor contracts, the state is obligated to pay up to the following amount for each employee that moves:

- (1) moving costs for up to 10,000 pounds of personal effects,
- (2) moving costs for up to two vehicles,
- (3) airline or ferry tickets for employees and their families,
- (4) up to 15 days per diem for employees and their families.

A portion of these costs would be recovered in freight revenues (to the extent that the move took place during a period of time the ferry system has vacant freight space and to the extent that movers use the ferry, rather than barge service).

Based on the partial survey data and its extension to refilled positions, 59 employees and their dependents would be moved. Assuming the average employee moves two vehicles and 8,000 pounds of personal effects, the state would incur the following costs:

(1) Moving costs for personal effects:	\$224,600
(2) Moving costs for up to two vehicles (on ferry):	0*
(3) Ferry tickets for employees and their families:	0*
(4) 15 days lodging and per diem for employees and their families:	<u>\$133,000</u>
Total cost of moving employees and households	\$377,600

* Assumes space is available for worker vehicles without displacing revenue-producing freight or vehicles; actual cost would be higher if any displacement occurred.

Assuming half of the household freight is shipped on the ferry rather than barges, about \$7,500 would be received by the system during the move of household effects, leaving a net cost to AMHS of \$370,100 for movement of households. This cost would rise by the cost of airfare for any employees or dependents who used air rather than ferry transportation for the move.

Lost productivity, training and retraining

Any office relocation results in lost productivity for the staff affected. The initial economic impact analysis estimated one month of lost productivity for each currently employed staff member, including about one week of lost time arranging and conducting the physical move and one week in the transition period at the new offices. Based on current staff salaries and benefits, this lost productivity has a cost of about \$400,000. While this lost productivity is a cost from an economic standpoint, it would probably not translate into additional budget costs for AMHS and is therefore excluded from the AMHS cost analysis.

The projected loss of current experienced staff, together with the time and cost of new hiring and training, will result in additional productivity losses. Based on the partial employee survey results, ten employees with over five years experience at AMHS will need to be replaced, in addition to 24 employees with one to five years experience and 20 with less than one year experience at AMHS. Using the earlier assumptions that roughly 40% of the replacement workers will move, 22 positions will be refilled once, and 31 positions refilled first with temporary employees in Juneau and then with permanent employees in Ketchikan. This extraordinary hiring process imposes operational costs on AMHS, including the management time to advertise, go through the personnel process, and the time to train the new hires. Assuming one month of training time per employee, costs of training this total of 84 new hires will be approximately \$350,000. If 25% of these training costs are hard dollar costs, rather than lost productivity, the net new cost to AMHS will be \$87,500.

It appears that Ketchikan can indeed physically absorb the move. The local employment market has the ability to supply the administrative office with a pool of qualified candidates from which to choose for many of the AMHS positions. A job-by-job analysis comparing the AMHS

administrative positions with the pool of current and newly unemployed workers in Ketchikan will show which position classifications would require hiring outside of Ketchikan. Exhibit A contains a first estimate of the positions that have comparable jobs in the current Ketchikan labor market.

Movement of equipment

Computers and communication infrastructure

Moving the computer network to Ketchikan is a major undertaking with two facets. The first is the physical movement of computers and other network items. The second and larger issue is the infrastructure required to support the data communications needs of the network. Based on estimates supplied by AMHS and detailed in Exhibit B, up front move costs will total about \$50,000. As shown above, operational costs for communications will be more significant.

Office equipment

The move of AMHS administrative offices includes shipment of office furniture, files and equipment. Modular work-stations must be torn down, reconfigured and assembled, and computer cables installed. Several years ago AMHS moved a portion of its staff from Glacier Avenue to Channel Drive at a cost of approximately \$150,000, including office reconfiguration and communications line installations. The cost of the physical move of offices and equipment from Juneau to Ketchikan was estimated assuming offices have an average of 150 cubic feet of furniture and equipment, 4,000 cubic feet of files are stored and necessary to move, and a portion of goods now stored in the Juneau warehouse would need to be moved. Excluding communications setup costs (dealt with elsewhere in the report) and basic office configuration (included in space costs), an estimated \$100,000 would be required to pack, move, repack and assemble AMHS administrative offices.

In addition to these costs, careful coordination will be required to allow AMHS to continue to function during the move. Because AMHS has both semimonthly and biweekly payroll processing, for example, payroll staff are working on data entry and payroll distribution on three-quarters of the days in the average month. A move must be timed to off-cycle days, and requires files and computers be accessible before, during and immediately after the move date. This timing may require some air transportation of staff and files, but no adjustment to cost estimates to reflect such an eventuality has been included in this report.

III. Community Economic Impact

The economy of Southeast provides the proper context for many of the above issues. Understanding the regional economy also informs the analysis of such issues as the availability of labor and the cost of housing.

The economic effects of the move on the communities of Juneau and Ketchikan are detailed below. In summary, economic impact on the two communities is relatively minor. Initial calculations indicate that Juneau's growing economy would absorb the impact of job losses within three, while job creation in Ketchikan would only marginally soften the economic impacts of the impending mill closure.

In short, from an economic perspective moving the offices to Ketchikan creates fewer benefits to Ketchikan than some may hope, while moving the offices from Juneau has a smaller economic impact on the community than some may fear.

As outlined below, it appears the overall economic benefits and costs of a move are either roughly in balance or tilt somewhat against a move. While this may be the case from a pure economic cost/benefit standpoint, there are significant issues that are not purely economic that affect the long-term viability of the Alaska Marine Highway System and its ability to serve its customers and stakeholders.

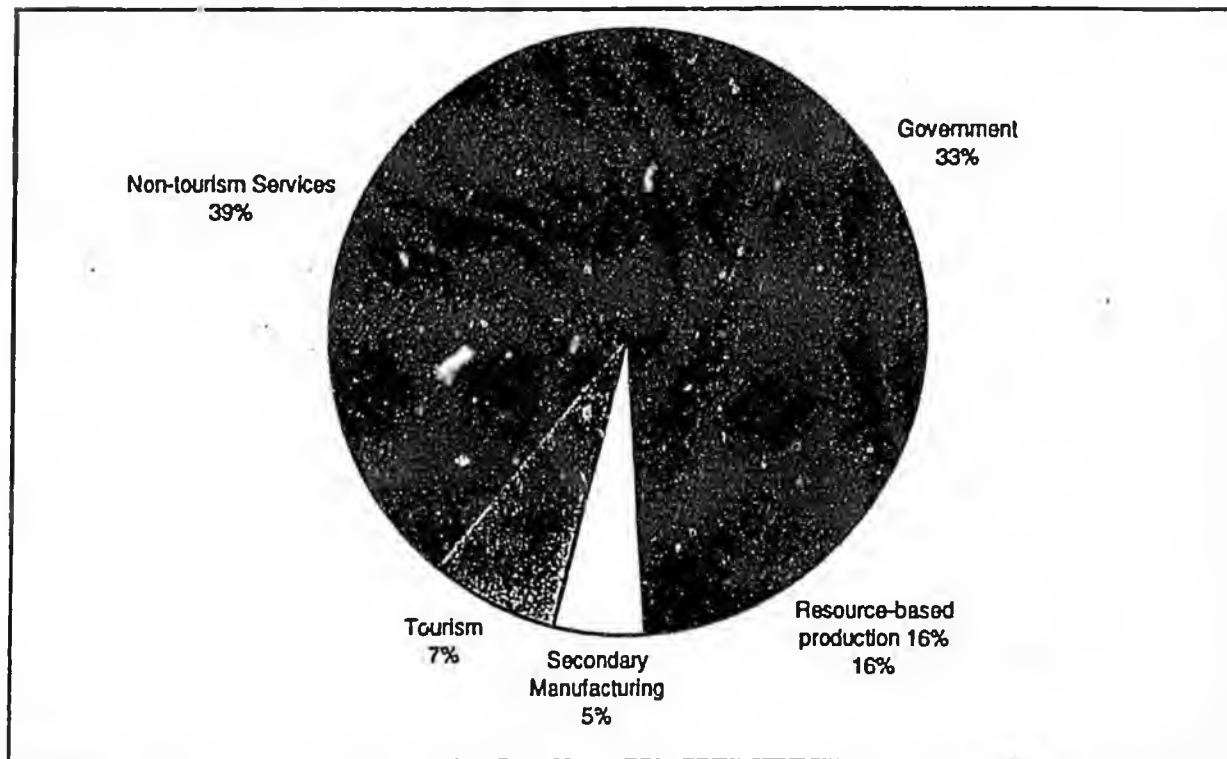
As the economic analysis shows, the costs to Juneau and benefits to Ketchikan are smaller than some may suspect. If the time, energy, and money that a move would cost was applied to working on either improving AMHS operations and community communications, or to working on improving the Ketchikan economy, there would be net economic benefits instead of the costs identified herein.

Southeast regional economy

The Southeast Alaskan economy is defined by disparities. With the exception of the three large towns of Juneau, Ketchikan, and Sitka, the region is made up primarily of small communities. Of the 73,000 people living in Southeast, about one-third live in Juneau. Two-thirds of the population live in the three urban centers with the remaining third of the population distributed among twenty-nine communities.

While the region as a whole is quite diverse by Alaska standards, much of that diversity is in these three larger communities. Typically, the smaller communities rely on a single industry for economic survival. These industries may give rise to mining or fishing communities, logging communities, or towns centered on tourism. While support industries are built up around these primary industries, it is the viability of these primary industries that must maintain the region's smaller towns.

Figure 9: Southeast Regional Economy



The viability of many of the small communities depends on the movement of products into and out of their towns or the arrival of tourists. Transportation networks are of paramount importance and are explicitly included in the mission statement of the Alaska Marine Highway System to provide "opportunities to develop and maintain a reasonable standard of living and high quality of life, including social, education and health needs."

As the figure above shows, primary and manufacturing jobs represent about 61% of regional employment, with about .64 service jobs generated for each primary or manufacturing job.

The region is experiencing steady growth at a rate of 1.6% in 1996, projected to rise to 1.9% in 1997. This regional growth is very industry specific. Much of it is in mining and construction, mostly in the Juneau area, and masks declines in timber, seafood and fishing, and government. Only Juneau can be expected to experience strong growth, especially as these growth figures must be revised downward with the impending closure of the Ketchikan Pulp Company mill in Ketchikan.

Growth will be best realized only in the communities with the most diversified economies. With most of the region's economies tied to timber, fisheries, or tourism, communities are very sensitive to small changes in commodity prices or the overall level of economic activity in the nation. The lack of diversification means that local economies are supported in large part by imports. In addition, these regional economies are tied to demand from extra-regional sources

and hence are quite dependent on the overall health of other economies. Without changing the overall level of activity within the region as a whole, there is much to gain in economic stability by encouraging the diversification of the regional economies through greater intraregional cooperation and dispersion of economic activity.

One peculiarity of the region is its proximity to the markets of the 'lower forty-eight' states. This results in a trade pattern that looks south more than is typical for the rest of Alaska. As a consequence, tourism from customers arriving from the contiguous United States is quite important, with the Alaska Marine Highway System playing a key role in this market.

In addition, the industries of seafood processing, timber, hotel/hospitality, water transportation, and recreation services are key industries and are the five sectors with the greatest share of non-resident employment. Each employs non-residents as at least 30% of total employment. This is destabilizing for two reasons. First, it reflects a seasonal transience, which puts pressure on housing and local economies during the summer months, and results in overbuilding, with excess housing capacity in the winter months. These unemployed resources are costly to the local economies. Second, imported workers increase the level of income leakage from the region and hence reduce the level of local employment multipliers.

The industries that experience significant levels of nonresident employment have historically been high growth sectors. However, the seafood and timber industries are currently experiencing systemic decline which is not expected to rebound in the short term. It is not clear whether declines in these industries will harm non-resident employees to a greater degree than resident employees in these two predominant industries. However, a recent cutback in pulp operations at Sitka did have a greater effect on the percentage decline in non-resident labor than it did on resident labor in the community. This is likely because non-resident labor is more transient and can be expected to respond to both economic upturns and downturns with greater sensitivity.

Juneau, Ketchikan, and Sitka are three of only five urban centers in Alaska, and represent 65% of the population of the Southeast region. These economies are comparably diverse when compared with other Alaska communities. This diversity is due to seaport access and the traditional employment industries of timber, mining, recreation/tourism, and government.

The lack of diversity in Alaskan economies is problematic for regional economic development. When compared with a larger, more diverse economic area, Alaska suffers from an economy that is very open and dependent on resources and services from elsewhere. As a consequence, while income earned in a more diverse economy will ultimately contribute to purchases of goods and services within a region, Alaskan purchases come largely from economies outside of the region. For instance, if an additional dollar of income in an economy can generate 80¢ of local spending and 20¢ of spending from elsewhere, additional income earned contributes to new income in the local economy. Of course, those in the local economy receiving this new spending will also spend 80% of their new income on local goods or services, thereby generating even more local wealth, but at a diminished rate. It can be shown that the pattern of income generation, from the initial dollar of income earned, to the second round of local spending of 80¢ to the third round of 80% of 80¢ (or 64¢), and so on, will result in a total increment to local income of \$5.00.

Such a multiplier effect of initial income generated is common in a well-diversified economy. Indeed, an economy that is very self-sufficient could have a multiplier ranging upward to ten times original spending. Unfortunately, the multiplier in Alaskan communities is very low due to the lack of diversification in Alaskan economies and the need to import many consumption and intermediate production goods from Outside. Indeed, a multiplier of 2.0 is high for an Alaskan community, and can be expected only in the Anchorage area.

While it is not unreasonable to assume the pattern of consumption within a given community is common across individual consumers, regardless of their source of income, it is not the case that an additional dollar of spending in one industry will be equivalent to the purchase pattern in another industry. If the source of additional income is more demand for the product of an industry that hires much of its resources locally, then the net effect of the additional wealth will reach more consumers in the first round. For instance, the fishing industry will use an additional dollar of demand for their product to pay local workers, maintain a local fleet, and buy materials and fuel locally. In turn, the industries serving the local fisheries may purchase many of their goods locally, resulting in a larger share of wealth that remains in the local economy. Alternately, direct spending in the tourism industry may support jobs for booking agents or fleet operators in Seattle or Vancouver, or earn profits for hotel chains outside the region.

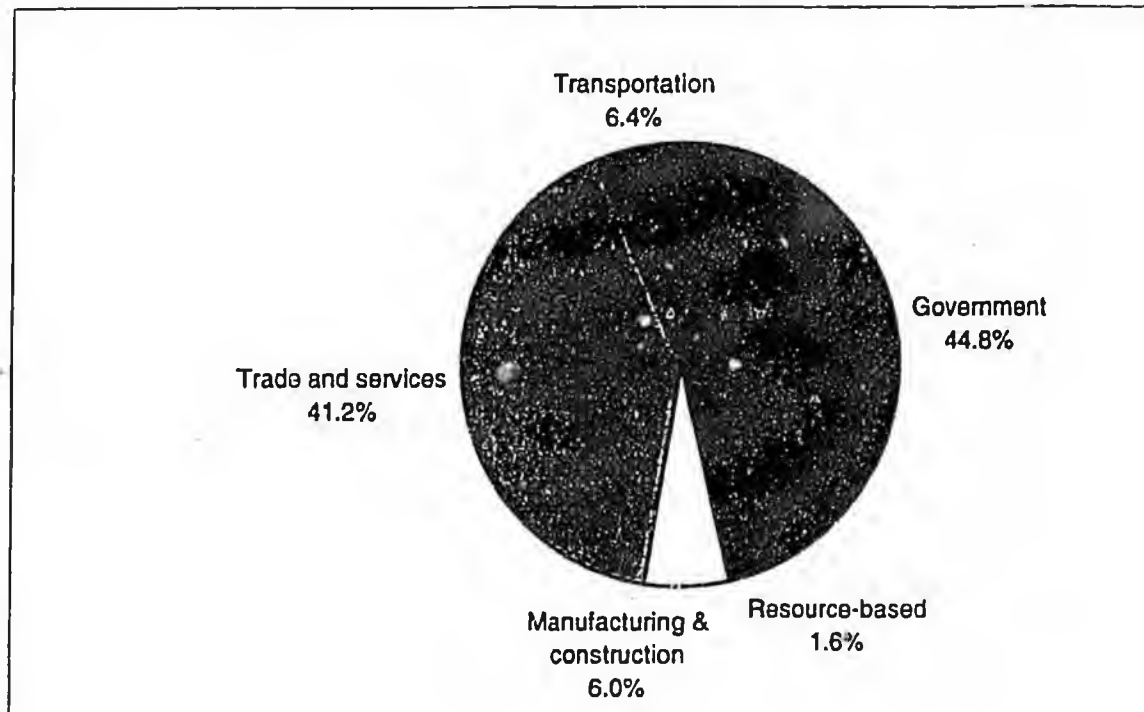
A look at the pattern of direct and indirect effects of additional industry earnings in the Ketchikan economy finds the multiplier indeed varies across industries. The multiplier for the recreation industry in the Southeast is only 1.32 while the fishing industry enjoys a multiplier of 1.92, or 45% higher than the recreation industry. These differences are directly related to different factor purchase patterns in the two industries.

The economy of Juneau

Juneau has traditionally been the strongest economy of the region, with significant mining activity fueling the economy up to the war years. Redistribution of national mining priorities during World War II led to a decline in the Juneau mining economy, only to be supplanted as Juneau became the center of state government in Alaska.

Juneau as the state capital has not always been secure. Repeated attempts to secure the approval of voters to move the capital from Juneau has been unsuccessful. Nonetheless, Juneau well understands the threat and has made efforts to diversify its economy. Currently, the economy is constituted by the following sectors:

Figure 10
Economic Activity in Juneau by sector (1995)



The figure shows Juneau enjoys a much larger share of government activity than the region as a whole. Trade and services, including wholesale, retail and tourism, is the other dominant sector. As a consequence, much of the local economy is driven by government and support for households employed in government. Indeed, since many of these are professional jobs with relatively high wages, government sector employment alone represents 63% of the total wage bill in the capital city.

While the Juneau economy could accurately be described as non-diversified, it has shown signs of increased diversification. Over the past 16 years, overall employment has grown by 46% while government employment has fallen by 12%. In addition, mining is showing a greater effect on the local economy. While not included in the figures for Juneau because the mines lie outside the borough, the Greens Creek and Kensington projects should provide a significant boost in local employment, adding up to 750 jobs to the local economy and increasing resource-based employment to nearly five percent of local employment.

This constant and steady growth in the Juneau economy has been successful at more than just replacing the relatively small losses of employment in the government sector. While the region as a whole has enjoyed an average growth rate over the past ten years of about two percent and can expect to maintain that growth rate for the next few years, Juneau's growth has been closer to four percent. This disproportionate growth is primarily attributable to increased tourism, which is attracted to Juneau because of both the setting and the scale of services the largest city in the region can offer.

As a consequence of this high historical growth rate and the types of professional jobs generated in the local economy, Juneau leads other urban centers in the region and the state in both wages and housing costs. In addition, the female labor participation rate is very high, with the 1990 census reporting that 74% of females over the age of 16 participate in the laborforce, compared to a 66% female laborforce participation rate in the state as a whole.

These factors are problematic from an economic sense for a number of reasons. First, they create a much larger than average level of household income. Since all households will purchase a certain base amount of goods and services to meet the basic needs of food, clothing, health, transportation and education, any additional income beyond that level is discretionary and will tend to bid up the value of the fixed factors of production. The most significant factor is the price of land. A sampling of listings of homes for sale in Juneau suggests that median housing prices are currently near \$175,000. Accordingly, Juneau has the highest housing prices of any urban center in the state.

Second, Juneau's seasonal employment in tourism (and, to some extent, government) creates a transience that, when tied to very high housing costs, tends to reduce speculative or peak demand overbuilding of the housing stock. As a consequence, the vacancy rate for Juneau rental units tends to hover around 1.0%, while Ketchikan as the next largest center in the region has a vacancy rate near 5.0%. Rents in Juneau are also high, with median contract rents of \$800 per month, compared to similar rentals in Ketchikan of only \$660 per month.

The combined factors of high wages and high rents and housing prices cast into doubt some of the rosier assumptions that may follow increased income growth in the local economy. With little opportunity for significant new in-migration, increased local income results in modest job growth and significant personal income growth, which tends to be mostly capitalized in higher and higher housing prices. In the absence of major structural changes in the Juneau economy, it is most likely that land prices will continue to rise at a very strong rate, resulting in increased income to those holding land, but decreased purchasing power to those who rent. The primary stumbling block to increased growth is the inability of the local economy to affordably house and otherwise absorb additional workers. As a consequence, annual growth of four percent in the area will translate into something less than employment growth of four percent, with the difference accruing to the owners of the fixed factors of production.

While efforts to diversify the economy are necessary, fostering significant economic growth in an overheated economy is not productive. Juneau already has the highest cost of living of the urban centers in the state, with an all-items index of 136.6 in the fourth quarter of 1995, compared to indices of 125.6 and 126.3 in Anchorage and Fairbanks respectively. Juneau has lower heating costs and, with access to the Alaska Marine Highway System and west coast barge traffic, lower shipping costs. The number of large-scale retail outlets in the local market has enhanced market competitiveness. The high land costs and high level of disposable income, however, maintain a high cost of living in Juneau.

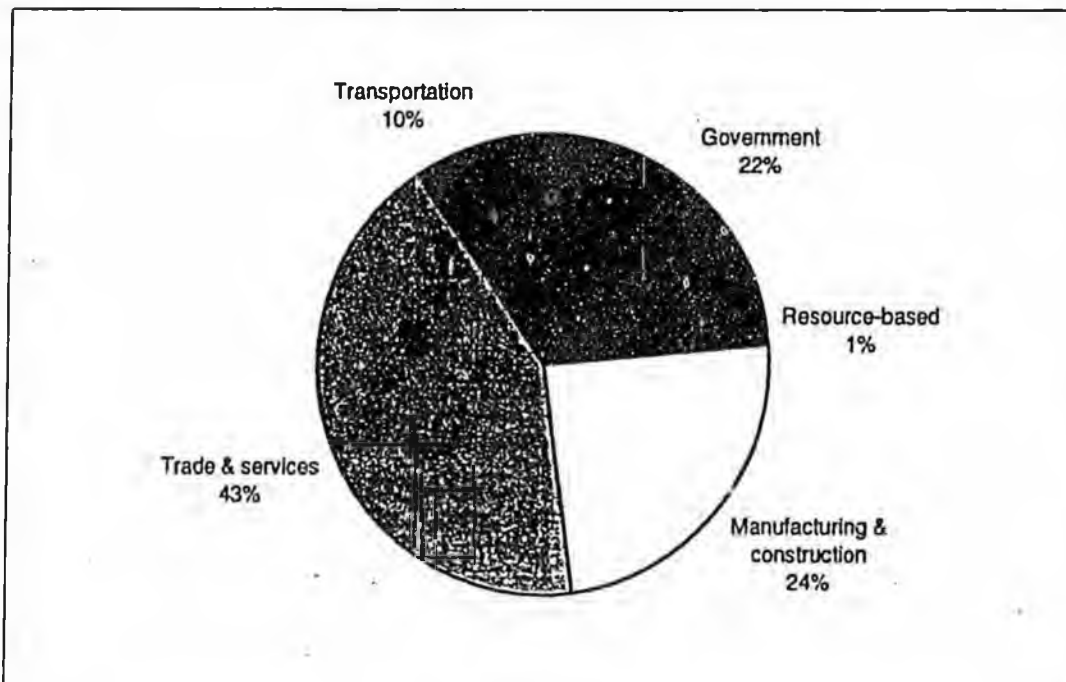
The economy of Ketchikan

Ketchikan is a quite diverse economy by Alaska standards. This diversity arises from its role as the gateway and marine port of entry to Alaska. Only a seven-hour ferry trip from Prince

Rupert, Ketchikan citizens and businesses enjoy the most free and inexpensive access to significant southern markets, both by sea and by air. As a consequence of this proximity, the trade pattern is more southerly oriented than other Alaska communities. Upon graduation from high school, young people look south as well for higher education and jobs.

The Ketchikan Gateway Borough is not as large as its Juneau counterpart, with only about one-half of the employment that Juneau enjoys. The City of Ketchikan employs about a quarter of Juneau's total. Most significant for the Ketchikan economy is its level of diversification. The largest sector in the local economy is the very diversified sector of trade and services, which includes wholesale and retail trade, transportation, communications, utilities, services, finance and real estate. Manufacturing and construction is a much more significant part of the Ketchikan economy as well, with government representing a distant third in importance.

Figure 11
Economic Activity in Ketchikan by sector (1995)



This diversification is key to minimizing the short-term dislocation caused by a major economic event in the Ketchikan economy. The phasing out of Ketchikan Pulp Company operations will result in the ultimate loss of 500 to 600 direct mill jobs, depending on the level of operations maintained by the associated sawmill. Effects in associated industries could be up to 800 to 1000 additional jobs lost. While much of the effect will come at the expense of the manufacturing sector, the transportation sector will also absorb a significant loss, if the recent experience in the closing of the Sitka pulp mill is a good example.

The strength of the economy rests with its role as a gateway and hub to the surrounding communities. The major blow to the Ketchikan economy will have strong ripple effects across Southeast. Despite the significant loss in jobs, interviews with a number of people familiar with

the region suggest a surprising lack of pessimism. This is because Ketchikan well understands that it is unusually diversified by Alaska standards, the mill will be offering significant severance packages to its employees, and the federal and state governments are offering community dislocation relief and support.

There will not only be a significant level of available resources to bridge the interim gap until economic growth can absorb redundant workers. Estimates suggest that perhaps up to a third of the mill employees will choose retirement, while perhaps a third will relocate outside the region. Of the direct job loss, perhaps only one-third of the workers will need to be reabsorbed into the Ketchikan economy. In addition, perhaps two-thirds of the indirect jobs that are an outgrowth of the mill activity will also need to be reabsorbed, resulting in a dislocation still on the order of 500 persons. This represents a potential outmigration of about 500 households, or 1,500 persons, a number consistent with the conclusions drawn separately by the McDowell Group in their analysis of the withdrawal of Ketchikan pulp from the community.

This dislocation represents about two or three years of typical job growth in the region. Fortunately, about two-thirds of the dislocated employees hold job classifications consistent with the mix that can be readily absorbed into the Ketchikan economy. These include office and management staff and technical occupations.

In the analysis of short-term effects on the Ketchikan, this dislocation has created significant slack. Average housing prices for single family homes have been in the neighborhood of \$155,000 to \$160,000. Interviews with realtors, bankers and developers in the Ketchikan area suggest housing prices will drop somewhat, perhaps down ten to 15 percent from previous levels. This is due to a higher than average inventory of available homes as owners try to sell early to prevent loss of capitalization once the mill closes down. In addition, there is already significant slack in a rental market that experiences a consistent vacancy rate of around five percent. At this time, housing values are good and renters are using the opportunity to upgrade to significantly better housing for the same level of rents.

Food costs are also lower in Ketchikan, with a weekly cost of food for a family of four of \$98.50. This compares with \$93.22 in Anchorage, \$97.75 in Fairbanks, and \$100.17 in Juneau. When combined with average rents of \$660, or about 18% lower than Juneau, the 1.6% lower food costs give Ketchikan the lowest cost of living in Southeast. Falling land prices and rents are giving households the opportunity to move into higher quality housing. If subsequent cost of living analyses by the Department of Labor could capture this effect in a quality-adjusted cost of living index, it is likely Ketchikan would show an index five to fifteen percent lower than Juneau.

These factors combine to make Ketchikan a prime location for new industry in the region. The availability of a regular and inexpensive transportation network, a diversified economy, and significant slack in the local economy all bode well for an economic recovery. The availability of a well-trained labor pool that matches the needs of prospective new enterprises also favors long-term recovery. Finally, the significant transition funding provided by the federal and state governments will ease the pains of significant relocation.

Economic benefit of AMHS administrative offices to Juneau

The Alaska Marine Highway System is the largest transportation network in Southeast Alaska, surpassing Ketchikan Pulp Company and Alaska Airlines as the region's largest employer. Depending on season, the system has up to 900 employees, with about one-third based in Ketchikan (most of whom are vessel-based crew), and about one-third based in Juneau. An additional 90 employees are based outside Alaska, principally in the southern terminus of Bellingham.

The system generates an annual payroll of \$45 million (including benefits) and generates \$171 million of indirect and indirect spending, some of which accrues to Bellingham, but most of which represents wealth for Alaskans. The system generates revenues from passenger and cargo traffic of approximately \$40 million annually, and has operating expenses of about \$75 million annually. About 80% of this revenue comes from passengers and vehicles, 70% of which is earned during the summer season. The AMHS administrative office in Juneau represents 1.6% of total government employment, and 0.7% of all local jobs.

Juneau unambiguously benefits from jobs maintained in the government sector, but is experiencing growth that is nearly double the Alaska and national averages. The AMHS administrative jobs represent less than a single quarter of annual employment growth, and, because of the higher salaries in the government sector, between one quarter and one-half year of wage growth in the Juneau economy. If the administrative officers were removed from the Juneau economy, it would still grow at an average rate above that of the nation as a whole. As a consequence, local housing prices will continue to increase at a rate above the national and state averages.

The 95 filled AMHS administrative jobs create demand for 95 housing units in Juneau. There were 10,638 housing units in Juneau in 1990. While removal of 95 units from the demand would result in less than one percent additional temporary inventory of excessing housing capital, it is necessary to detber of staff that would choose to relocate if the administrative offices were moved to Ketchikan. Based on the employee survey and its extension to re-filled positions, about 60 employees would relocate. As a consequence, about 60 housing units would potentially be available, representing about 40 owned homes and 20 rental units available to the market. These numbers would likely be reabsorbed into the Juneau housing market, creating an excess inventory of two or three months in the housing market. In addition, there are 1,153 rental units in Juneau, suggesting the twenty additional rental units would slightly more than double the current rental vacancy rate to near three percent. Even such a temporary increase in the rental vacancy rate would merely move Juneau from the tightest to the second-tightest rental market in the state.

Economic benefits if the AMHS administrative offices went to Ketchikan

The effects of a move to Ketchikan are far more striking than the withdrawal from Juneau. The Ketchikan market would be expected to absorb the roughly 60 employees moving from Juneau.

These 60 new households would compete for 5,030 occupied housing units in the Ketchikan Gateway Borough.

The McDowell Group has estimated the impending closure of Ketchikan Pulp will reduce housing prices in the short term by 15 to 20%. Local experts believe the reduction will be in the range of five to 15%. An injection of housing unit demand of 60 units will not stress the slack housing market in Ketchikan. Rather, it would likely mitigate the reduction in housing prices from the expected 5-15% range to a 4-12% range. This represents only two-thirds of the current advertised inventory in Ketchikan.

In 1994, there were 1,408 individuals listed as unemployed in Ketchikan. Of these, 216 were clerical and sales workers, 177 professional, technical and managerial workers, and 201 were employed in the service sector. With the reduction in Ketchikan Pulp jobs from the economy, an additional 55 to 60 employees with office and general management skills, in the areas of executive, clerical, accounting, personnel and purchasing staff, will be unemployed. These professional staff would be of sufficient number to meet the professional hiring demand of the AMHS, especially when taken together with the 594 available clerical, sales, professional, technical, managerial and service workers typically available in Ketchikan. The primary problem in filling AMHS administrative vacancies would be those positions requiring AMHS experience or those with specialized technical knowledge of marine systems.

It is clear that movement of the administrative offices would not fill the surplus housing and employment gap. Instead, the move would reduce the slack in the economy by perhaps one-quarter, mitigating somewhat the expected drop in housing prices and, to a lesser degree, wages. Similarly, it is likely that a move of the administrative offices would also only partially fill the gap created in the K-12 public education system.

The cost of commercial property is primarily driven by building costs and the cost of land. While there are no adequate existing office units available in Ketchikan in the 20,000 square foot range able to accommodate the AMHS administrative offices, interviews suggest a new building could be constructed and offered to AMHS for about \$1.75 per square foot. Utility rates are slightly higher, but slightly more moderate temperatures result in similar overall utility bills. Developers indicate a facility can be either co-located at the Ketchikan Shipyard and AMHS terminus location, or on land within a couple of blocks of that location.

IV. Summary

Based on all of the issues set out above and on supporting information, a move of the AMHS administrative offices from Juneau to Ketchikan will require both an up-front cash outlay and ongoing costs to AMHS as follows:

Figure 12
Summary of Costs

	Scenario 1 New building in Ketchikan	Scenario 2 Leased building in Ketchikan
Fixed and one-time costs:		
Cost of moving personnel	\$ 370,100	\$ 370,100
Facility construction	3,000,000	0
Lost productivity, training & retraining	87,500	87,500
Communications infrastructure	50,200	50,200
Office move	<u>100,000</u>	<u>100,000</u>
	\$3,607,800	\$607,800
Additional annual costs:		
Space leasing	45,000	458,600
Data communications	84,200	84,200
Voice communications	24,000	24,000
Travel	<u>70,800</u>	<u>70,800</u>
	\$ 224,000	\$ 637,600

The benefits of moving AMHS administrative offices do not justify the substantial fixed costs of the move or the additional operational costs and complexity created by the move. The improvement to communication between Ketchikan-based employees and Juneau-based management is far outweighed by the losses to communication between Juneau-based management and their counterparts in the Department and elsewhere in state government.

Legislation has been introduced this session to move a portion of the AMHS administrative offices from Juneau to Ketchikan. This legislation requires at a minimum that the system director, the deputy director, and the managers of marine operations, support services and engineering, together with "all other offices, functions and employees of the marine highway system except those whom the commissioner determines must be located outside of Ketchikan" be located in Ketchikan.

As outlined above, the top-level employees of the AMHS are the individuals who most need to interact with the legislature and other DOT/PF administrative offices. Movement of their offices would create significant problems in the operations of the system. It may be that certain AMHS administrative staff positions in Juneau could be transferred to Ketchikan without imposing comparable costs. Among the units that appear to be transferable with minimal impact to the system are reservations, procurement and maintenance engineering.

Alaska Marine Highway System Staffing

Exhibit A

Position	Range	Is there a comparable job in the current Ketchikan laborforce?
AMHS Administration		
Assistant Commissioner	27	Yes
Marine Trans. Services Manager	24	?
Secretary II	11	Yes
Marine Engineering Management		
Marine Trans. Services Manager	24	?
Engineering Associate	52	Yes
Maintenance Worker II	54	Yes
Administrative Manager I	15	Yes
Maintenance Worker I	55	Yes
Administrative Clerk I	07	Yes
Marine CIP Program		
Engineer III	22	?
Engineer III	22	?
Naval Architect	22	No
Engineer/Architect II	20	?
Engineering Associate	19	Yes
Engineering Associate	19	Yes
Engineering Associate	19	Yes
Planner III	19	No
Engineering Associate	19	Yes
Engineering Assistant III	18	Yes
Engineering Assistant III	18	Yes
Accounting Tech II	14	Yes
Administrative Clerk II	08	Yes
Administrative Clerk I	07	Yes
AMHS Vessel Operations Management		
Marine Trans. Services Manager	24	?
Port Captain	23	-
Transportation Planner II	22	No
Assistant Port Captain	21	-
Passenger Services Inspector	20	?
Passenger Services Inspector	20	?
Safety Officer	18	Yes
Ferry Services Manager IV	17	?
Reservations Specialist	16	?
Reservations Specialist	16	?
Administrative Manager I	15	Yes
Personnel Assistant II	14	Yes
Administrative Clerk II	08	Yes

Alaska Marine Highway System Staffing

Exhibit A

Position	Range	Is there a comparable job in the current Ketchikan laborforce?
AMHS Support Services		
Marine Trans. Services Manager	24	?
Procurement Specialist V	21	?
Labor Relations Analyst II	20	?
Accountant IV	20	Yes
Personnel Officer II	20	Yes
Analyst/Programmer IV	19	No
Analyst/Programmer IV	19	No
Program Budget Analyst III	19	No
Procurement Specialist III	18	Yes
Accountant III	18	Yes
Procurement Specialist III	18	Yes
Personnel Officer I	18	Yes
Analyst/Programmer III	17	No
Research Analyst II	16	?
Accountant II	16	Yes
Accountant II	16	Yes
Accounting Tech III	16	Yes
Personnel Specialist I	16	Yes
Storekeeper III	54	Yes
Procurement Specialist I	14	Yes
Personnel Assistant II	14	Yes
Procurement Specialist I	14	Yes
Stockhandler WG VII	57	Yes
Stockhandler WG VII	57	Yes
Accounting Tech I	12	Yes
Accounting Tech I	12	Yes
Personnel Assistant I	12	Yes
Personnel Assistant I	12	Yes
Accounting Tech I	12	Yes
Personnel Assistant I	12	Yes
Personnel Assistant I	12	Yes
Procurement Specialist I	12	Yes
Personnel Assistant I	12	Yes
Personnel Assistant I	12	Yes
Accounting Clerk II	10	Yes
Administrative Clerk III	10	Yes
Accounting Clerk II	10	Yes
Supply Technician I	10	Yes
Accounting Clerk I	09	Yes
Administrative Clerk II	08	Yes
Administrative Clerk II	08	Yes
Administrative Clerk II	08	Yes
Administrative Clerk I	07	Yes
Administrative Clerk I	07	Yes