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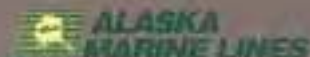
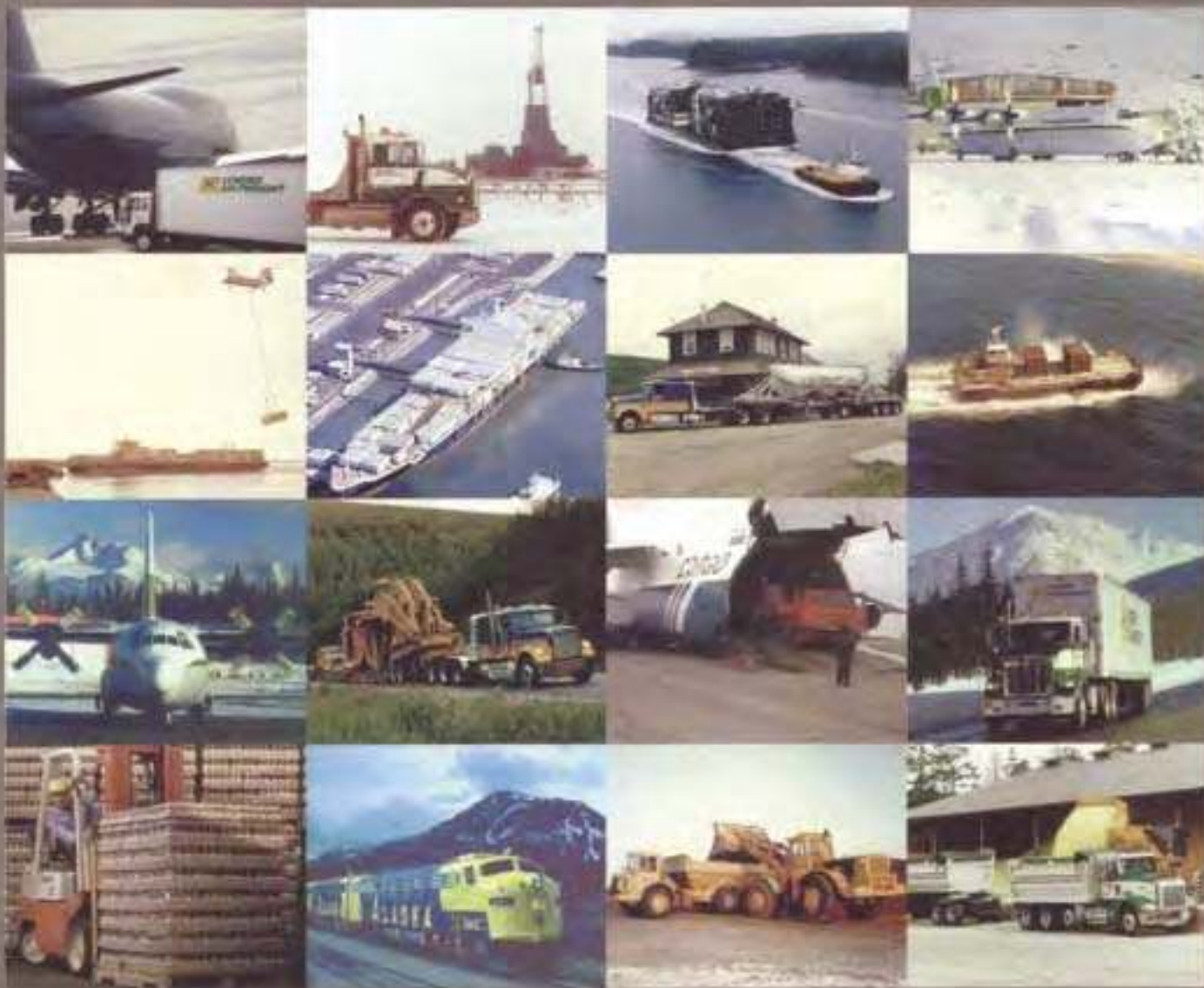
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April 2001

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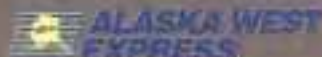
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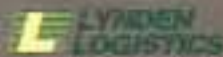
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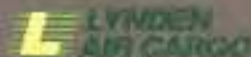
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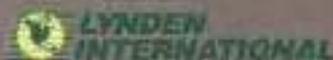
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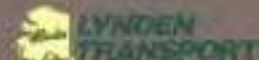
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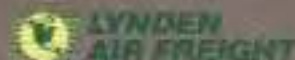
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Photo by Ron Dalby

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Alternate Product Delivery Systems



by Bert Bell,
President



The construction industry is constantly changing. It requires all involved to keep pace if they wish to develop a successful business strategy. One recent controversial change is the government sector's shift toward alternate product delivery systems.

Traditionally, public sector contracts have been let on a design-bid-build basis, where the successful contractor is hopefully—the lowest responsible bidder. The owner's only assurance of delivery has primarily been the surety bonds required by the contract documents.

For years, the private sector has utilized many different methods to award and contract new projects, both with and without bonding. A few of the delivery systems include design-build, construction management at risk, fast track and project labor agreement.

Some of the selection processes utilized include pre-qualification, best proposal, fixed fee, best value, an upper limit with shared savings and traditional low bid. All of these have unique inherent advantages, disadvantages and applicability. The public bureaucracy is hoping to capitalize on many of the advantages offered by alternate contracting, but they also need to be cognizant of the pitfalls.

The Alaska Procurement Codes acknowledge that alternate procurement methods may be initiated. However, there are no guidelines for their utilization, nor regulations to outline the means and methods to manage projects fairly. Design-build methodology is virtually ignored in the code.

The Associated General Contractors of Alaska is currently draft-

ing regulations for design-build construction that will be fair to our industry and protect the public's interest. Our approach is to be proactive rather than reactive. Our goal is to enact regulations that protect the public and create fair and open competition within the contracting community.

In the past few years, the Army Corps of Engineers has made significant improvement in best-value and design-build solicitations. AGC has interacted with them on a regular basis hoping to make the process even better. We created a simulated bid opening in which ACE contract personnel participated so they could understand how tight deadlines reduce the contractor's ability to properly prepare bids and proposals. Additional recommendations are being made, including:

- Design-build solicitations should be a two-step process: pre-qualification and final selection
- The ACE should limit required submittal documents to the minimum number necessary to make a final selection
- A reasonable stipend should be paid to unsuccessful bidders
- Contract personnel need to communicate with bidders, both during and after the selection process

AGC is needed to watch over and direct the procurement process. Individual contractors have expressed many

legitimate concerns. These same concerns, when presented by AGC, have the weight of 600 members behind them. The owner agencies will listen and continue to change to make the system better. We encourage all members to be active in the regulatory committees. Communication is key to producing a procurement process acceptable to our industry.

The contracting community needs to prepare itself for new product delivery systems. They also need to submit proposals that are responsive to the owner's selection process. The national trend is affecting Alaska and change is inevitable. Contractors need to learn how to market their company to owners, both public and private. Written proposals are a requirement and contractors must learn how to best present their responses. The incorporation of design into the bids is time-consuming and expensive. Contractors will have to balance the owners' requirement for reasonable cost with the contractors' need to minimize project risk.

The challenges are many. AGC is a ready resource for information. Conferences and seminars are available for members to learn about the variety of procurement systems and proposal submissions. AGC continues to monitor and address the evolving non-traditional processes being instituted. The delivery system selected needs to consider project parameters and special needs as well as the project economy.

For alternate delivery or bid systems to be acceptable, the selection process must be **open to all**, must be **fair in its approach**, must be **objective in its judgement**, must **not be cost prohibitive to produce**, and **politics must not be allowed to sway the outcome.**

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Our Future Workforce



by Dick Cattanach,
Executive Director



For some time, AGC has been concerned about the construction workforce of the future. Demographic studies by the Department of Labor are not encouraging and it is apparent that Alaskan contractors must develop strategies today to assure that they will have an adequate workforce tomorrow.

The problems facing the construction industry in Alaska are not unique, but development of an effective strategy to deal with the upcoming labor shortage requires an understanding of the current labor situation. Alaska's median age has risen from 29.3 years in 1990 to 32.9 in 1999, due in part to a change in migration patterns and long-term demographic trends. The average age of a carpenter in Alaska today is 38.4, a construction laborer 34.5, a truck driver 42.0, an operating engineer 42.1, an electrician 40.0, and a heavy equipment mechanic 42.5.

If construction workers remained in a trade until they were 65 it would appear that there is no problem. However the physical demands of the trades and the terms of many construction pension plans allow significant numbers of workers to leave the industry in their mid-fifties. The most alarming statistic is the percentage of the workforce over 50. For carpenters, 15.6 percent are 50 or older, for laborers it's 10.9 percent, and electricians 21.2 percent. Truck drivers, operating engineers and heavy equipment mechanics each have almost 25 percent of their workforce 50 years old or older.

Not only does the industry face the problem of an aging workforce, it must also find 2,200 new workers during the next seven years to meet the projected growth of the industry. When combined with projected retirement numbers, the industry must attract between 850 and 1000 new workers each year for the next seven years.

In the past, a significant portion of these workers would

have been imported from the Lower 48. However, for the past six years, more people have left the State than have moved here.

Therefore, it would appear that given Alaska's tight labor market, recent high school graduates are the best source of new workers. Last year approximately 6800 Alaskans graduated from high school. Of those, the U.S. Department of Education estimates that thirty percent will go to college. That means 70 percent—about 4700 graduates—will leave high school and enter the labor market. The construction industry must attract almost 20 percent of each graduating class, or face a significant labor shortfall.

To help attract this workforce, AGC has devoted considerable time and resources to working with schools throughout Alaska. We currently offer a variety of products at various grade levels to promote the industry. The award-winning *Build Up!* program has been introduced in more than 100 fifth and sixth-grade classrooms throughout the state. As a result, more than 2500 students have been exposed to careers in construction. *On Site!* has just been released and will be introduced in middle schools statewide starting this fall.

In addition, AGC has been instrumental in having the core construction curriculum introduced in many high schools in the State. Our goal is to explain the career opportunities available in construction to students and assist them in making after high school career choices.

If AGC is successful, the construction industry should have an easier time meeting its labor needs. There is no question that each contractor will be affected by this shortage, and the ability to survive will be a function of both the success of AGC's programs as well as the contractor's own personnel and retention policies. The time to deal with this problem is now. The shortage is just around the corner. 🐼

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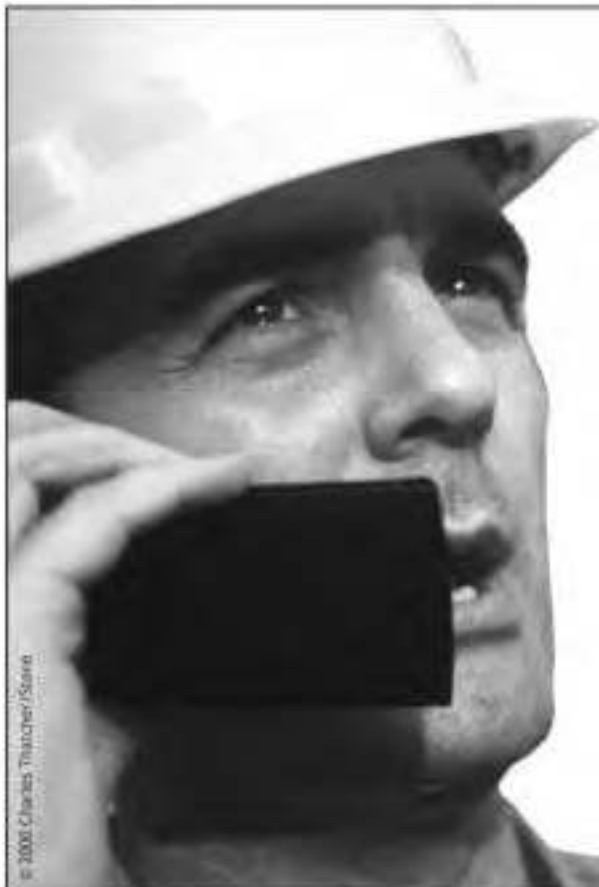
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AGC member named Small-Business Person of the Year



Anchorage accountant and Alaska General Contactor Association member David Cottrell has been named 2001 Small Business Person of the Year. The annual award is presented by the U.S. Small Business Administration.

Frank Cox, Alaska District Director for the

SBA, says Cottrell's selection was based on his company's stability, growth, innovativeness and community contributions. Cottrell is president and managing partner of Mikunda, Cottrell, and Company, Certified Public Accountants.

He was nominated for the award by First National Bank of Anchorage. Betsy Lawer, First National's vice chair and chief operating officer, says they have enjoyed "an excellent working relationship with Mr. Cottrell and his firm since 1991." Over the years, she said, the bank has had the opportunity to "witness firsthand" the many business, professional and community contributions Cottrell has made.

Cottrell grew up in Palmer, Alaska. After earning his accounting degree in California, and passing the national CPA exam—on his first attempt—he returned the state to begin his career.

After a stint with the state Legislative Audit Division, he joined a national accounting firm and moved to Anchorage, where he met future partner Robert Mikunda. Cottrell became convinced that a small, locally-owned audit firm could compete with the national companies that then dominated the market if non-essential audit procedures could be reduced while maintaining the quality standards issued

by the American Institute of Certified Public Accountants.

In 1977, the two men formed Mikunda, Cottrell & Company, with Cottrell as president and managing partner. Cottrell's concept proved sound and the new firm grew rapidly and steadily. By using their own judgment in how to apply accounting procedures, they could tailor their services to a client's needs, something national firms with procedures dictated from headquarters could not.

In addition to individualized service, Mikunda, Cottrell has excelled in quality as well. According to SBA, the company undergoes the most stringent level of peer review offered by the American Institute of CPAs. This allows it to serve large clients regulated by the Securities and Exchange Commission, such as GCI or Alaska Airlines. From the beginning, the firm had been committed to combining professional excellence with cost-effective auditing, accounting and consulting services in Alaska.

Through the 1990s, the company positioned itself well to capitalize of the changes occurring in the accounting industry. When many of the large national and international CPA firms merged or withdrew to larger population centers, Cottrell added services to stay competitive. Other locally owned firms had partners nearing retirement age, and three mergers in the late '90s made Mikunda, Cottrell & Co. the largest locally owned CPA firm in Alaska. The newly expanded firm now offers estate planning, business valuations, litigation support and wealth management consultation services in addition to standard accounting, audit and tax services. Revenue has more than doubled in the last four years. The firm now has more than 60 professionals providing services in offices in four cities throughout the state.

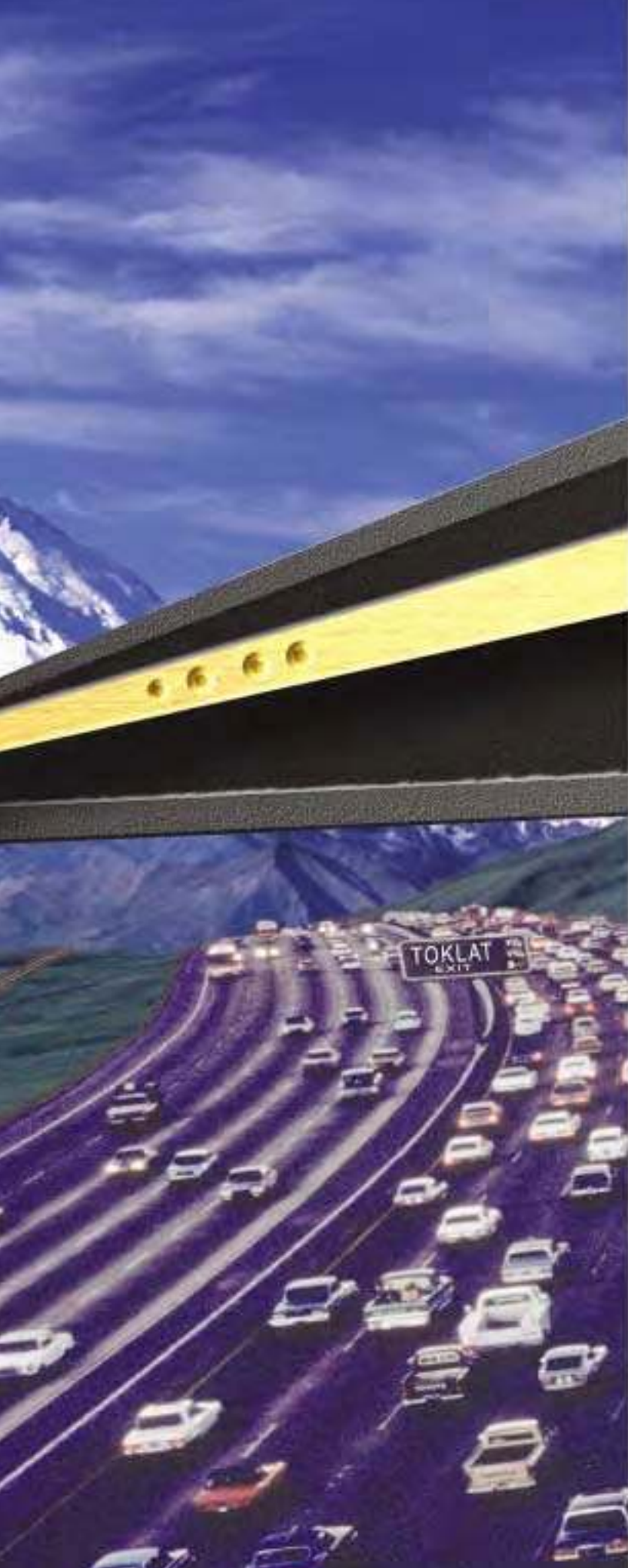
"Cottrell is an enterprising and dynamic business leader," says Cox. "He has used his personal drive and talents to build an important Alaskan business and to make his community a better place." 🐾

What's the Fix for Denali?

Four possibilities: more roads, a railroad, a monorail or limit visitors.

By Ron Dalby





Digital Illustration by Third Eye Photography

In 1960, mining engineer and former Alaska Agricultural College and School of Mines professor Earl Pilgrim told the Fairbanks Daily News-Miner: “If we are extravagant in anything, it should be for schools and roads which are needed almost everywhere. We need to aid in the development of industry which will make for employment whether it be agriculture, mining or manufacturing.”

One of the potential roads that was almost certainly in Pilgrim’s thoughts had to be the Stampede Trail, most of which is within today’s boundaries of Denali National Park. Upgrading this route into a usable road made economic sense from his point of view because he developed the Stampede Mine just north of what was then the boundary of Mount McKinley National Park and about 75 miles overland from an Alaska Railroad siding north of Healy.

Since Pilgrim made his comments Alaska has built a lot of schools, but relatively few new roads—only the Parks Highway and the Whittier Tunnel immediately come to mind. To extend his thought further some 40 years after the fact, you could say Alaska has invested to create educational opportunity, but has yet to invest in a transportation infrastructure that will generate economic opportunity.

Pilgrim took about \$4 million in antimony ore out of the Stampede Mine over the years, some of it over the Stampede Trail, much of it later flown out from the airstrip he built adjacent to the property. He figured there was about 10 times as much ore still in the ground at the site. As part of his operation, he built the facilities needed to operate a mine including a bunkhouse, dining hall, offices and a cabin for his own use.



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Enter the National Park Service. The Alaska National Interest Lands Claim Act of 1980 extended the boundaries of then Mount McKinley National Park to include the Stampede Mine, the airstrip and much of the trail leading into the site. The Park Service then applied its own set of standards to a potentially valuable economic property in what is now Denali National Park.

In 1988, the Park Service, assisted by U.S. Army engineers, detonated a massive explosion at the mine site, leveling several of the buildings and severely damaging most of the rest. Park rangers later claimed the damage was "accidental" and that they would not deliberately destroy culturally important sites such as the Stampede Mine. At the time, the mine was an in-holding belonging to the University of Alaska and was available for students studying mining. Any value it had to the university disappeared in the blast.

Road vs. Railroad

The elimination of the mine notwithstanding, the Stampede Trail itself offers potential economic value these days as an alternate route into and out of Denali National Park. Wayne Anthony Ross, running in the Republican primary for governor in 1998, said during one of the debates, "I would like to see the Stampede Trail pushed through to Kantishna."

Kantishna, an old mining district deep within Denali National Park, is at the end of the existing road into the park. Upgrading and extending the Stampede Trail to Kantishna would create a loop road through the park.

This idea has potential. Currently Park Service personnel and tourism professionals fret about the growing number of visitors to the park and how this may tend to degrade the experience if increasing numbers of buses are used to drive visitors back and forth along

the single, narrow, limited-access road. Each bus used today must traverse the road twice on each trip, once going into the park, then again on the return trip. Routing the buses around a loop road automatically reduces the traffic by half. Or, put another way, you could double the number of buses running the full length of the road without increasing the traffic on the existing road.

Predictably, the no-roads-anywhere crowd is against this idea. Their solutions are either limiting the number of visitors allowed into the park or building a railroad.

At first blush, the railroad idea seems to have merit. Until you think about it for a moment or two. Efficient, scheduled transportation into and out of the park isn't the issue. The experience of being temporarily amidst a wild and scenic place is the real value of a trip into Denali National Park.



Right now bus drivers obligingly stop for photos whenever an animal appears or if the view of the mountain is particularly good. It's part of what makes the trip special—the unpredictable chance to photograph these things from close range. What are the

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odds of an engineer stopping a train if somebody in the observation car spots a bear? What is now an all-day adventure of discovery and wonder would be reduced to a couple of predictable hours each way.

Then there's the cost.

In 1996, Senator Frank Murkowski, R-Alaska, Chairman of the Senate Committee on Energy and Natural Resources, directed the Interior Department to undertake a study comparing and contrasting the costs of a road along the Stampede Trail to a railroad as possible means of enhancing visitor access into Denali National Park. According to the October 1997 study, while neither alternative is particularly cheap, the railroad would cost approximately twice as much to build and maintain. In the long term, a paved road along the Stampede Trail, though costing more than a gravel road but less than the railroad to build, would be the cheapest to maintain.

From a straightforward listing of construction costs and maintenance costs per mile, the report delves into a series of interesting statistics regarding the proposed transportation systems.

Currently, the report notes, visitors are willing to pay up to about \$100 for a trip into the park on one of the existing buses. Depending on the carrier and trip selected, prices for the various bus trips available range from a low of about \$25 to a high of about \$100. The writers of the report take pains to stress that it is their perception that these prices are about all the market will bear.

Train tickets, however, would likely cost much more. The Interior Department estimated that a private railroad builder with an initial projection of 90 percent occupancy for a 10-car train, would have to charge \$235 per person in an effort to break even at the end of 20 years. These projections allow for increasing numbers of riders each year.

In other words, a railroad would cost almost twice as much to build and maintain, and would-be passengers

could expect to pay more than double what is currently viewed as the upper limit for prices.

The Monorail Option

Both the railroad and the road are cheap to build in comparison to the monorail idea that's been out there for a few years. It would cost about \$450 million to construct, according to Dennis Nottingham of Peratrovich, Nottingham and Drage, Inc., an Anchorage-based engineering firm that has looked closely at the idea for nearly a decade.

But it does offer advantages. First of all a monorail is whisper quiet. It carries passengers between 20 and 80 feet above the ground, dramatically expanding their field of vision, and maintenance costs are negligible when compared to a road or railroad. Nottingham figures the monorail could carry about 9,000 passengers a day during peak periods at an estimated cost of between \$100 and \$200 per person.

PN&D also recommends the North Access Route, essentially along the Stampede Trail corridor. Their reasoning relies heavily on the fact that the weather is better and that tourists will have more opportunities to actually view Mount McKinley, which is often hard to see from the existing road because of cloud formations.

Right-of-Way Problems

Besides arguing about the differences between a road, a railroad and a monorail, or even about whether an alternate route should even be built into the park, discussing the Stampede Trail ultimately leads to a right-of-way question.

Supposedly the ANILCA legislation in 1980 allowed for the state to maintain control of existing rights-of-way—roads, trails and the like. The Stampede Trail qualifies as one of the rights-of-way that the state selected.

The Park Service, however, doesn't see things quite that way, according to Mike Spangler at the Alaska Department



Artist's conception of proposed monorail within Denali National Park. Illustration courtesy of PN&D, Inc.



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of Natural Resources. Spangler figures that no matter what the law says, it would take an act of Congress to get a road constructed on that portion of the Stampede Trail that is now within the boundaries of Denali National Park.

The argument is found in RS 2477, Revised Statute 2477 from the Mining Act of 1866, which states: "The right-of-way for the construction of highways over public lands, not reserved for public uses, is hereby granted."

Rights-of-way were established and approved under RS 2477 until its repeal in 1976, except in Alaska when PLO (also known as the "land freeze") was passed in 1968. Thus 1968 marks the end of the RS 2477 window in Alaska. To be claimed as rights-of-way, existing trails had to be in use prior to 1968.

The dates are no problem for the Stampede Trail, since its use dates back to the early 1930s. The problem is in who recognizes the validity of RS 2477 claims at any given time.

According to the DNR web site (www.dnr.state.ak.us/land/f2477.htm), the State of Alaska "views RS 2477 as an important tool to protect public access across federal land. In the 1980s the State of Alaska and the U.S. Department of the Interior agreed upon and platted several RS 2477 rights-of-way."

However... "In the past decade the Department of Interior has not recognized RS 2477s that cross its land." (Bruce Babbitt was Interior Secretary in the Clinton administration for most of this period.) The Interior Department is

the parent agency of the National Park Service. Thus the DNR officials cited earlier honestly believe that it will take an act of Congress to build a road into Denali National Park.

Lets put some of these things in perspective. The opening paragraphs of this article described how the Park Service set off a bomb inside the park in 1988, creating a crater nearly 30 feet in diameter and 8 feet deep in the frozen

tundra and wiping out considerable private property. Nobody was punished for this other than having to read a handful of nasty letters to the editor in a few newspapers. Any other person would receive a citation for just possessing a simple firecracker inside the park, much less setting it off.

**"In the past decade
the Department of
Interior has not recognized RS 2477s
that cross its land."**

The explosion created by the Park Service had the following ingredients:

- 80 bags—about 4,000 pounds—of Nitro-Carbon-Nitrate (which breaks down into fertilizer if left alone) remaining from active mining at the Stampede Mine.
- 1,400 blasting caps found at the site.
- 100 blasting caps brought in by the Park Service/Army engineers.
- 45 pounds of plastic explosive supplied by the Army.

This conglomerate of explosives probably exceeds the destructive power of the bomb used to destroy the federal building in Oklahoma City a few years back.

Apply that same standard to RS 2477. Alaska and the rest of the states believe it to be an enforceable law—after all it was in force for 110 years—and govern their actions accordingly. The Interior Department has recently decided to ignore this law just as it seems to ignore other laws when it suits their purposes.

Ultimately, and probably sooner rather than later, something will have to be done to ease the overcrowding along the narrow strip of gravel road that serves most visitors to Denali National Park—a park the size of Maryland. The fastest and most cost efficient is turning the Stampede Trail into a road and extending it to Kantishna. Building a road, though, flies in the face of the desires of environmental zealots and the National Park Service. Unfortunately for Alaska and for those visiting

Alaska, common sense is usually in short supply whenever these two groups take a stand. 🇺🇸

Editor's note:

Administrative personnel at Denali National Park provided the names of two Park Service employees who could provide information on this subject. One of these people was traveling out of state when this article was prepared; the other diverts her phone directly to voice mail and only called back once when we were unavailable.



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Barging in Western Alaska

by Clark Ricks



photo by Clark Ricks

Vice President David Haugen helps manage operations of Knik Construction.

Steve Jansen, president of Knik Construction Company, says “Compared to a lot of construction companies, we’re small, but we have the capability to do big projects.”

Best known for their airport construction work in the Bush, Knik Construction is a specialized construction firm that focuses on barging aggregate, road building equipment and supplies to construction sites, villages and towns in western Alaska.

Knik Construction Co. is a wholly owned subsidiary of Lynden, Inc., the shipping and logistics firm. Incorporated in 1973, the company got its start when Lynden purchased a Bethel-based gravel operation. Now they have a modest but well-established regional presence on western Alaska rivers, working in some of the most isolated locations possible.

Due to the nature of the business, Knik is busy between breakup until the rivers freeze up around Halloween, when the work slows down and the staff turns to focusing on next year’s contracts. At the peak of the summer season, they run

two tugs and two barges and employ up to 50 people. They are not a material provider only. Sometimes they ship aggregate to their own construction crews, who work almost exclusively on airports and roads.

Surprisingly, the company is not entirely a summer operation.

Occasionally, they are requested to do a job in the winter, usually when special ground conditions are required. These jobs come up every couple years, and require that the material and equipment be shipped in during the summer. Construction crews come back later in the year to perform the actual work

If the seasonality of the work wasn’t challenge enough, competition and labor conditions also present obstacles. The small regional market makes maintaining the current volume of work in a highly competitive environment difficult. Knik succeeds by specializing. Even though they are occasionally asked to do work elsewhere in the state, Knik concentrates on bidding jobs in western Alaska, where their expertise gives them a unique competitive advantage.

Finding good labor is also tough. “It’s a challenge,”

Jansen says. "It's a big challenge." But he remains optimistic. "A lot of people —especially Native groups— are working hard to train people, especially in the bush. I think that's positive. Our company does some training as well. In nearly every bush village we go into, we train a few people."


Most of the jobs they bid involve working with the Department of Transportation and the Army Corps of Engineers, so permitting and environmental work are already taken care of. Sometimes, they deal with other clients, which leads to more unusual projects. Several years ago they were involved in a statewide environmental cleanup project removing old fuel tanks that were no longer in use. They have also done earthwork at the Red Dog mine, excavating, crushing and refilling a building site.

This type of work is not a trend within the company to diversify. Right now, Knik plans to stay in its niche and be patient. "Even here in Alaska, we're not a big operation," Jansen says. "The market doesn't allow for big increases. Our business is built around western Alaska markets, and we plan to stay [there]."

One of the reasons Knik is successful is because they specialize. With a fleet of ocean-going and shallow-draft tugs, barges and landing craft, they can be successful sup-

plying most any need for remote site projects. Most work involves barging aggregate and equipment to sites around southwestern Alaska for road and runway construction. But Knik also has environmentally-sensitive off-road transport vehicles and even a portable asphalt plant it can move onsite for special needs.

Another key to Knik Construction's success lies in its internal structure. As a subsidiary of Lynden, Knik can do more than others its size. A third competitive advantage Knik can offer is several strategic alliances with Native corporations. Calista and Bering Straits Native Corporation both run aggregate operations in the Southwest and Nome, respectively, which provide Knik with a low-cost aggregate source to help stay competitive.

For nearly 30 years Knik Construction Company has been providing the materials and resources western Alaska has needed to grow. Airport construction and roadwork will continue to be a niche in the construction industry for many years to come, and Knik is well prepared to fill it. Despite the fierce competition, a tight labor market and short seasons, Knik is satisfied that by sticking to its key strengths and regional strategy it will find continued success. 



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Government Influence in Transportation-Related Projects

Position Paper of the Associated General Contractors of Alaska

By Garvey Bonds

The state government is becoming increasingly involved in transportation-related construction projects. These issues directly affect Alaska's general contractors. Here, the Associated General Contractors of Alaska explain their position on two issues related to this trend.

It is hoped that despite the complex and unique relationship between private and public sector construction, this article explains the advantages and disadvantages of ASC's position in sufficient detail.

Issue 1: Should AGC support the governor's plan to accelerate transportation projects using state bonding?

THE ISSUE:

On February 27, 2001, Governor Knowles announced a plan to utilize state bonding to accelerate the construction of transportation projects. The proposed \$425 million package contained projects from all over the State and included many high priority items. This approach provides additional funding to undertake these projects years in advance of the current plan.

The proposal must be approved first by the legislature and then by voters in a statewide referendum. The bonds will be repaid from future federal highway revenue sharing funds. If approved, the initial bonds are anticipated to mature in 15 years. Arbitrage earnings are expected to offset interest costs from the bonds.

ADVANTAGES:

The plan will allow the state to accelerate major projects. The state could also control the timing of the project to coincide with the Alaska construction climate instead of the inflow of federal monies. Phased over a four or five year period, the plan would increase construction activity by approximately \$100 million to \$125 million

per year. In summary, the plan would increase construction activity, allow better project scheduling, and result in lower costs by avoiding future inflation.

DISADVANTAGES:

Because of the way the proposal is structured, projects cannot be supported individually, but only as a package. For instance, some AGC members are offended by the inclusion of two high-speed ferries in the package, but they must support the inclusion if they wish to benefit from other projects.

Other problems exist as well. The selection process for new projects to replace completed ones has not been determined. Additional maintenance funds will be needed for the projects completed ahead of current plans. The ultimate bond payoff and the impact on future construction are yet to be determined. The possibility of overheating the construction market exists. The Department of Transportation and Public Facilities will be given additional design and management responsibilities generated by the new level of work, something many in the industry do not agree with. Lastly, any difference between bond cost and arbitrage earnings will affect the general fund, but what that effect will be has not yet been determined.

AGC POSITION:

AGC believes that the potential disadvantages listed above must be carefully considered before proceeding with the concept. As the plan is developed the questions concerning the problems with the design and management of the increased workload, maintenance funds, selection of future projects, impact on the general fund and other funding avenues, plus the ultimate bond payoff should be addressed. The concept set forth by the governor has merit, but the plan should be modified to consider these items.

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**Issue 2:
Should government participation in transportation construction be unconditionally limited to small projects under \$250,000?**

THE ISSUE:

The utilization of government employees to undertake work that might, and probably should, be undertaken by the private sector has become increasingly popular in Alaska. When work is done by the private sector, the public is protected by a selection process that is open to public review. They are also assured that the project will be completed for the agreed price and will be built to owner specifications.

Circumventing that process increases the potential for inefficient use of public funds and the possibility of substandard quality. Current law requires the state to competitively bid all projects in excess of \$100,000 unless it is in the best interests of the State to increase that limit.

Senate Bill 83 amends current statutes, effectively setting the limit of the exemptions at \$250,000. This limit would eliminate the abuses that allow governmental forces to undertake transportation projects well in excess of the proposed upper limit.

ADVANTAGES:

By capping the “best interests of the state” exemption, private sector transportation jobs are protected. When used inappropriately, public entities not only compete directly with the private sector, but the accountability for public spending is lost. As the size of projects increase, both individually and in the aggregate, governmental entities are required to hire additional forces just to address the workload. The govern-



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mental entities are then forced to seek more work to keep that work force employed.

The result is permanent, full-time government workers taking the place of temporary, private sector workers. The cost of government increases at the expense of the private sector.

This bill would ensure that private construction companies have a chance to bid all large and mid-size transportation projects, and keep government transportation agencies in their traditional roles.

DISADVANTAGES:

One major drawback is that Senate Bill 83 only deals with the construction of highways by the Department of Transportation, leaving a large loophole for government spending abuses.

Also, many instances exist to support the use of government employees undertaking work that could be performed by the private sector. The cost and time involved in preparing a project for competitive bid support the argument that the government can, in some instances, perform certain tasks more efficiently. This is particularly true of small, infrequent projects that can be addressed with existing public employees. In such cases, the public entity can respond to the needs of the public in a more timely, cost effective manner. If this type of project cost more than \$250,000, Senate Bill 83 would still require the project to be bid competitively.

AGC POSITION

AGC supports SB 83 but believes that it should be expanded to include all public works projects undertaken or funded, in whole or part, by the State of Alaska. 🐻

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New Rules for Ironworkers



by Don Weber

Don Weber is director of AGC Safety Inc., which provides safety instruction and training classes to Associated General Contractors.

AGC Safety Report

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After nearly seven years of revisions, the new rules for iron work and steel erection will become effective on July 17, 2001. This is the first time that both the Occupational Safety and Health Administration (OSHA) and National Institute of Occupational Safety and Health (NIOSH) have worked in conjunction with industry and union groups to develop a new or revised standard.

This new and innovative approach was the result of the passage of the Rulemaking Act of 1990, promoted by members of the Steel Erection Negotiated Rulemaking Advisory Committee (SENAC) and the governmental agencies involved. The committee was composed of employers, employees, various unions, the Associated General Contractors of America, OSHA and NIOSH.

Iron work and steel erection is a \$40 million-per-year industry that is still growing. Unfortunately, every year an average of 35 ironworkers die and 2,300 suffer lost-workday injuries due to steel erection activities. It is hoped that the newly revised standard will lower the death and injury rate significantly.

The law enhances ironworkers' protection by addressing the major causes of injuries and fatalities in the industry. These include hoisting, landing and placing decking, landing and placing steel joints, column stability, double connections; and falls to lower levels.

The new rules do not apply to transmission towers, communication towers, broadcast towers, water towers or elevated tank construction.

The new rules include revisions on the issues listed below and can be viewed on OSHA's website at

www.osha.gov. Site Layout and Construction Sequence now requires:

- Certification of proper curing of concrete in footings, piers, etc. for steel columns.
- The controlling contractor to provide the erector with a safe site layout, including pre-planning routes for hoisting loads.
- A Site-Specific Steel Erection Plan requiring pre-planning of key erection elements, including coordination with the controlling contractor before erection begins in certain circumstances.
- Hoisting and Rigging to provide additional crane safety for steel erection.

The new rules also take seek to:

- Minimize employee exposure to overhead loads through pre-planning and work practice requirements.
- Prescribe the proper procedures for multiple lifts (christmas-treeing).
- Eliminate slip, trip and fall hazards on walking/working surfaces through new structural steel assembly and slip resistance requirements.
- Provide specific work practices regarding safely landing deck bundles and promoting the prompt protection from fall hazards in interior openings.
- Eliminate extremely dangerous collapse hazards associated with making double connections at columns by making New Beams and Columns Regulations.

- Minimize collapse while placing loads on steel joists.

Design features are also emphasized:

- System-Engineered Metal Building requirements have been updated to minimize collapse in the erection of these specialized structures, which accounts for the major portion of steel erection in this country.
- Column anchorages now require four anchor bolts per column along with other column stability requirements.
- Anchor bolts that have been modified in the field require adequacy confirmation procedures.
- Erection bridging terminus anchors are needed for open web steel joists to minimize the potential for lightweight steel joist collapse. The rules provide illustrations and drawings in a non-mandatory appendix (provided by SJI).
- Falling Object Protection Performance Provisions address hazards of falling objects in steel erection.
- Fall Protection Controlled Decking Zone (CDZ) provisions prevent decking fatalities.

- Deckers in the CDZ and connectors must be protected at heights greater than two stories or 30 feet.
- Connectors between 15 and 30 feet must wear personal fall arrest equipment or restraint equipment and must be able to be tied off, or provided another means of fall protection.
- Additional Fall Protection is required for all other personnel engaged in steel erection at heights greater than 15 feet.
- Fall Protection Training is required and a qualified "competent person" must be available to train exposed workers engaged in special "high risk" activities at the site.

It remains to be seen whether or not these new rules will change fatality and injury statistics seen in this industry. However, there is one very significant point that we should all take note of: OSHA and NIOSH have joined hands with many industry groups to make an environment safer for those working in the specific industry. It is commendable to all parties involved that these difficult issues were addressed and new rules have been put into place. 🐼

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Contractors take on challenge of local hire on rural job sites

By Colleen Kelly

Local hire and a qualified work force: Are the two mutually exclusive?

Contractors working in rural Alaska don't seem to think so, yet most firms find it impossible to completely fill a job roster with local workers. The more specialized the job, the less likely it will be filled by a worker from within the community.

Each construction firm has its own way of hiring crews. The task runs the gamut from contacting Native elders in the community to relying on local union halls. Others count on project supervisors, who draw on their extensive list of industry contacts. A growing number of firms are beginning to tap into government-funded job centers or training programs to find skilled workers.





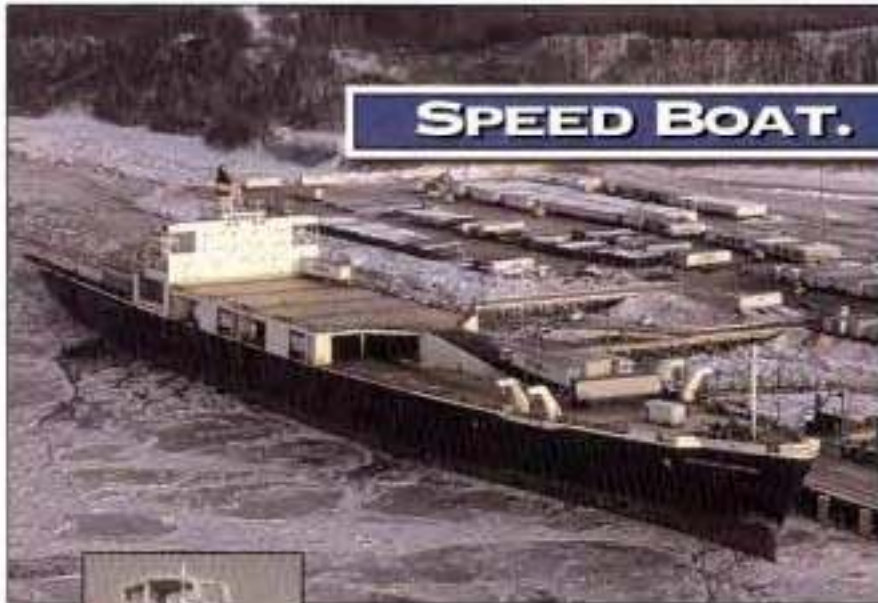
One would be hard-pressed to find a contractor who doesn't want to hire locally. The dilemma is that small bush communities don't always have individuals with skills for specialized jobs like heavy equipment mechanics and finish blade hands.

"Jobs like truck drivers are easy to fill," said longtime bush contractor Sam Brice Sr. of Brice Construction of Anchorage. "But for the special-skills jobs, you usually have to bring them out there with you."

Like most contractors in the state, Alaska Mechanical sends its own supervisors when heading out to remote job sites. The same applies for the electrical and mechanical subcontractors, said Vernon Brown, general manager of the Anchorage-based firm.

"We do as much local hire as we can, but many times we have to bring in craftsmen," Brown said.

Those companies that do achieve a favorable percentage of local hire find themselves facing other problems.



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Faulkner Walsh Constructors, headquartered in Bethel, attains an enviable 95 percent local hire, according to Steve Walsh, partner in the seven-year-old firm. But keeping required skills levels up to date can be an issue, so Faulkner Walsh brings instructors into Bethel to conduct safety training.

If a local applicant lacks some of the necessary skills, Brice Construction is willing to train them because the company's first priority is to hire any local individual who is qualified, Sam Brice Sr. said.

"We just put those people with some of our more experienced workers," he said. "We hire as many locals as possible. We train. We do everything we can to get locals on the payroll."

The longtime general contractor says local hire is a "win-win" situation for both employer and employee. "When you're working in a remote village, you want to leave as much there as you can," he said. With many rural communities hard-hit by poor fishing, construction projects provide one of the few solid job opportunities.

Brice admits there can be a trade-off in chasing after the goal of local hire. "They may not be quite as experienced as other workers, but you save money from not flying them in," he said.

Walsh, too, recognizes the advantages and disadvantages of local hire. "On the plus side, they're out there and readily available if you can't do the work all at once. They're there when you need them," he said.



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On the minus side is the fact that construction work can overlap with subsistence activities. “In Bethel, everyone goes up river to go moose hunting. You have to remember that. And when the salmon come in, a lot of workers go to fish camp,” Walsh said.

Finding housing can become an issue any time contractors bring in out-of-town workers. In most rural villages, extra housing is scarce. Sometimes companies bring in Atco trailers. In a pinch, workers end up staying in the community center or school.

“We generally rent a place in the Bush, put a cook in it and go from there,” Brice said.

Qualified Workers

Once a construction company wins a bid for a rural project, the company dispatcher takes on the task of filling the job roster.

Dispatcher Ron Locke, in his 13th year with Wilder Construction in Anchorage, said, “We bring in our own superintendent and foreman, and we try to fill the rest of the positions with all local people.”

The unions are a great place to start, he said, because they know who is available to work in a specific region and also keep track of the worker’s special certificates.

When Wilder Construction begins hiring for the project at Rampart Airport this summer, Locke will call the laborers’ and contractors’ unions to get qualified applicants. “If there are people who want to join the union, the union has to take them in,” he said.

The union does its part in helping get the local work force trained. “We had a Northway job and told the union that workers needed to take a 40-hour hazardous materials course,” Locke said. “The union conducted the course.”



As a result, Wilder hired an all-local crew for the Northway job. "Knowing far enough ahead, we can solicit the people and let them know what type of training is needed," Locke said. He expects to follow the same plan of attack for a project this summer in Tok where workers need special training in HazMat and lead abatement.

"I commend the unions for giving these training opportunities," Locke said. He's learned to call Alaska Laborers Training School in Anchorage and the Laborers Union apprenticeship program in Fairbanks any time he needs workers with special training.

The union hall and state employment offices are only two of the places contractors go to search for qualified workers. Alaska Mechanical is one of the many companies that calls on local officials for help. "We get a list from local government and we go to the (Native) elders," said general manager Brown, who's been in the Alaska construction industry since 1970.

Steppers Construction of Palmer learned that word travels quickly in the local community when a construction company wins a bid on a project. In a job last summer in Fort Yukon, local workers looking for a job called Steppers to apply.



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Companies working in rural Alaska typically establish relationships over the years within the industry. Job foremen are a good resource when it comes to knowing where qualified workers are, Brown said. Personal contacts and networking, along with keeping good records of past employees, all help to make it easier to fill job openings.

"And being a fair employer makes people want to come back," he said. "We have a large enough work force from previous jobs."

When Brown's company, Alaska Mechanical, arrives in bush communities to work, it might not even be welcome. Local hire might not be much of an issue if it's a wastewater treatment plant, he said, because community members don't have the expertise. But in some communities, residents just don't like the idea of outsiders coming in to do the work. "There's a whole lot of vandalism," Brown said. "They just don't want you out there."

State Does Its Share

The state of Alaska promotes the idea of local hire through a variety of job training programs and work centers, but stops short of requiring companies to tap the local workforce. "You can't mandate it, although everybody wants it," said Bob King, the governor's press secretary.

One way to achieve local hire is via job training. The state already is looking ahead to the possibility of a natural gas pipeline being built, King said. "You have to make sure there is a pool of Alaskans qualified and ready for the job. We start doing the training now."

With talk about upcoming railroad projects and pipeline proposals, job prospects in the construction industry look promising for the next

five years, said Sam Brice Sr. from Brice Construction. Finding enough qualified workers is always a challenge, but he sees state training programs as an opportunity to fill the need. Government construction jobs in rural areas will always hold an appeal because employees earn Davis-Bacon wages and put in a lot of overtime hours, he said.

The state Department of Labor and Workforce Development offers training through a variety of programs, according to Karl Ohls, special assistant to the commissioner of labor.

For example, each year the State Training and Employment Program awards funds to construction company training programs through a request for proposals process. "The idea is to provide people with training so they don't end up on unemployment rolls," Ohls said.

Northstar Exploration of Fairbanks has received STEP money to train people for minerals exploration planned in Northway village and nearby Doyon properties, according to Ohls. Last year's STEP projects included \$100,000 to the Alaska Joint Electrical Apprenticeship and Training Trust for training electrical apprentices and \$76,799 to Alaska Laborers Training Trust to help construction laborers.

The Department of Labor also awards grants through the Denali Training Fund. In February the department announced 10 grants totaling \$485,000 to communities and training providers. More than 150 rural residents will benefit from the training opportunities, according to Ohls.

Among the projects, \$100,000 went to the Association of Village Council Presidents in the Bethel region; \$100,000 to the Alaska Works Partnership for a project in King

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Salmon; \$50,000 to the city of Elim; and \$25,000 to the city of Buckland. The projects will train local residents in the construction trades.

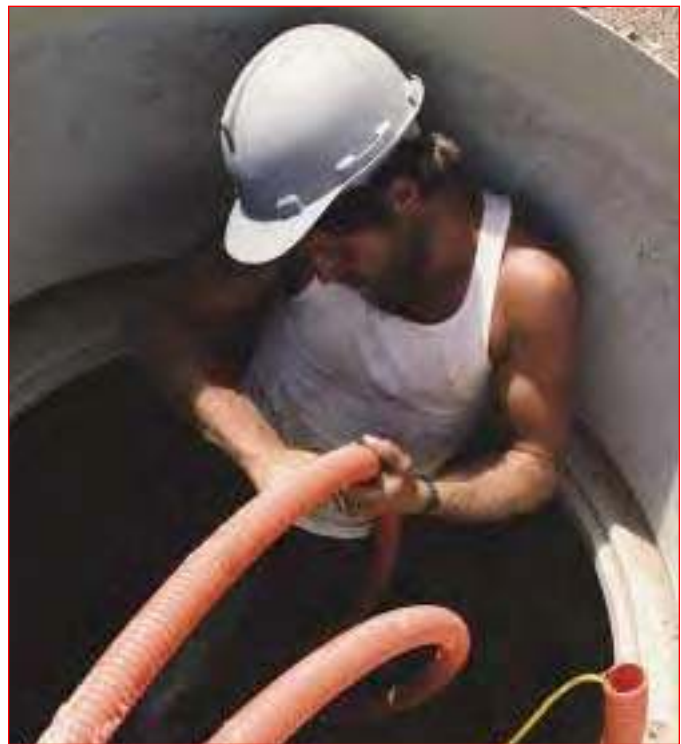
Ohls said the purpose of the Denali Training Fund is to set up programs to teach local residents about the construction, maintenance and operation of rural infrastructure and to increase their long-term employability. More than \$300,000 remains in the fund and will be awarded in a future grant round, he said.

In addition to the Denali Training Fund, the Department of Labor is administering nearly \$1 million in financial assistance from the Denali Commission. Last fall the Alaska Vocational Technical Center in Seward received \$250,000 for its building maintenance and repair apprenticeship program, while the Associated General Contractors received \$250,000 for career pathways in construction-related fields.

Construction firms looking for a qualified pool of workers in rural Alaska can contact Alaska Job Centers in Nome, Bethel and Dillingham, Ohls said.

Another avenue, he said, is to contact the Alaska Native Coalition on Employment and Training. "It's a new association in Anchorage that represents all groups.

They're working on putting together a talent bank," Ohls said. "As projects come up, they will have a database."



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Insuring the Future of Alaskan Construction

by Clark Ricks



photo by Clark Ricks

Since its founding in 1977, Carl Brady, Jr. has led Brady and Company to success.

Carl Brady, Jr. knows about taking risks. He has spent his entire 33-year career calculating the odds of success or failure, risk versus reward, economic boom or industry-wide depression. But he thrives in the environment. He knows the odds and consistently beats them. He manages risk so well that over the last quarter century, he has built his insurance firm, Brady and Company, into one of Alaska's most successful corporations. Now Brady is willing to bet the construction industry will boom.

They recently expanded their construction insurance coverage by hiring two new brokers specifically trained to deal with construction insurance, bonding, and risk management issues. "When we see opportunities, we jump at them," Brady explained. "We are going that direction very steadily. I'm very optimistic about the construction industry and their vendors."

Now the 7th largest Alaskan-owned company, Brady and Co. brought in nearly \$150 million of insurance revenue last year. "We are the largest insurance broker in the state in terms of revenue and number of employees," Brady says.

"Our business is providing aviation, construction, and marine insurance throughout the state." If a clients' operations extend outside of Alaska, they provide commercial insurance there as well, but most of their work is centered in Alaska. They have a strong presence in the region. About half of the top 50 Alaska-owned businesses are Brady clients.

Brady and Co. has always focused on Alaskan clients. In 1967, fresh out of college, Carl Brady bought an insurance agency here and set up shop. While he was successful, by 1968 he discovered he was too small to meet the needs of his clients and partnered with a Los Angeles firm. That firm evolved over the years into Aon, now the 2nd largest insurance broker in the world. In 1977, Brady and Company was founded. At Brady's request, in 1994 Aon spun off their Alaskan business, which allowed Brady and the newly hired president, Fred Chadwick, to work independently, keeping the same employees and clients as before.

The commercial property business continues to do well. Although they formerly also offered personal insurance, they sold that part of the business to National Bank of Alaska, now Wells Fargo, a few years ago. "Personal insur-

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ance was no longer our niche," Brady says.

Now the company can focus on their key competency: helping businesses identify key risks and insurance needs and then helping meeting them. This is critical to contractors in the state, but Brady looks forward to meeting that need. "The Alaskan construction industry has been the backbone of commerce in this state," he said "We want to be there and meet their needs whether it be bonding, risk management or loss control as they continue to grow as they have the last several years."

No one knows exactly how much growth the industry will experience, but the potential is enormous. Brady says his greatest challenge is keeping his optimism in check. "It's tough to know exactly where the we'll be in 10 years. I don't want to let my enthusiasm get ahead of reality."

The new administration in Washington views Alaskan development more favorably than the previous one, he points out. Also, Alaska's lone representative in the U.S. House of Representatives, Don Young, is the new head of the House Transportation and Infrastructure Committee, which is also a positive sign. With a possible major natural gas project or missile defense system, Brady claims it's hard not to be optimistic about the future of the construction industry in the state.

"I think we have a tremendous future in the next six to eight years," he said. "I think we'll see some major changes in short order." Many federally funded construction projects in the state have been on hold for the last eight years, and he believes that now that Alaska's congressional delegation "no longer has to play defense," development will take place. "Our transportation industry with [Rep.] Young has tremendous opportunity. Both the inter-



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national airport and the air carriers will continue to grow. Alaskans have a lot of great opportunities. The oil patch, railroad, highways, bridges, other infrastructure, all have great possibilities in the near future."

He is optimistic about a natural gas pipeline as well. Brady interacts with the upper management of most major petroleum companies regularly, and he reports they are enthusiastic. "Yukon Pacific, BP, Alyeska, Phillips and Veco all say there's no question about the technology."

Meeting the needs of the growing industry will require expanding the business. At the current rate, a move from their fourth floor offices on 4th and L Street is inevitable. It will also mean hiring more employees, but Brady is cautious. He is very selective about who he hires, and makes sure that every employee is able to succeed. He claims his attitude is necessary in the service business. "Our assets go down the elevators every night. What you see around here—the tables, desks, chairs, computers—those aren't our assets. What makes our company worth something is the people and their talents."

So far, CEO Carl Brady Jr. and President Fred Chadwick have chosen well. Year 2000 figures indicate each employee produced, on average, nearly \$3 million of revenue.

Brady says he's proud of "being able to develop a core group of competent, loyal, wonderfully talented people." It's the best way to run a company, he says.

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For Sale: Alaskan Natural Gas

By Clark Ricks

After 30 years of false starts and false hopes, it appears that natural gas from Alaska's North Slope is finally headed to market. While the time frame and method of development are still in doubt, it is fairly certain that the state construction industry is facing what AGC President Dick Cattnach terms "a megaproject."

The most likely project is a gas pipeline through Canada, although several groups advocate a trans-Alaska gas pipeline to Valdez or the Cook Inlet, where the gas would be cooled to a liquid and shipped. A third possibility is to convert natural gas into synthetic crude on the North Slope, which could be shipped using the existing pipeline. Each scenario poses unique opportunities for contractors in the state.

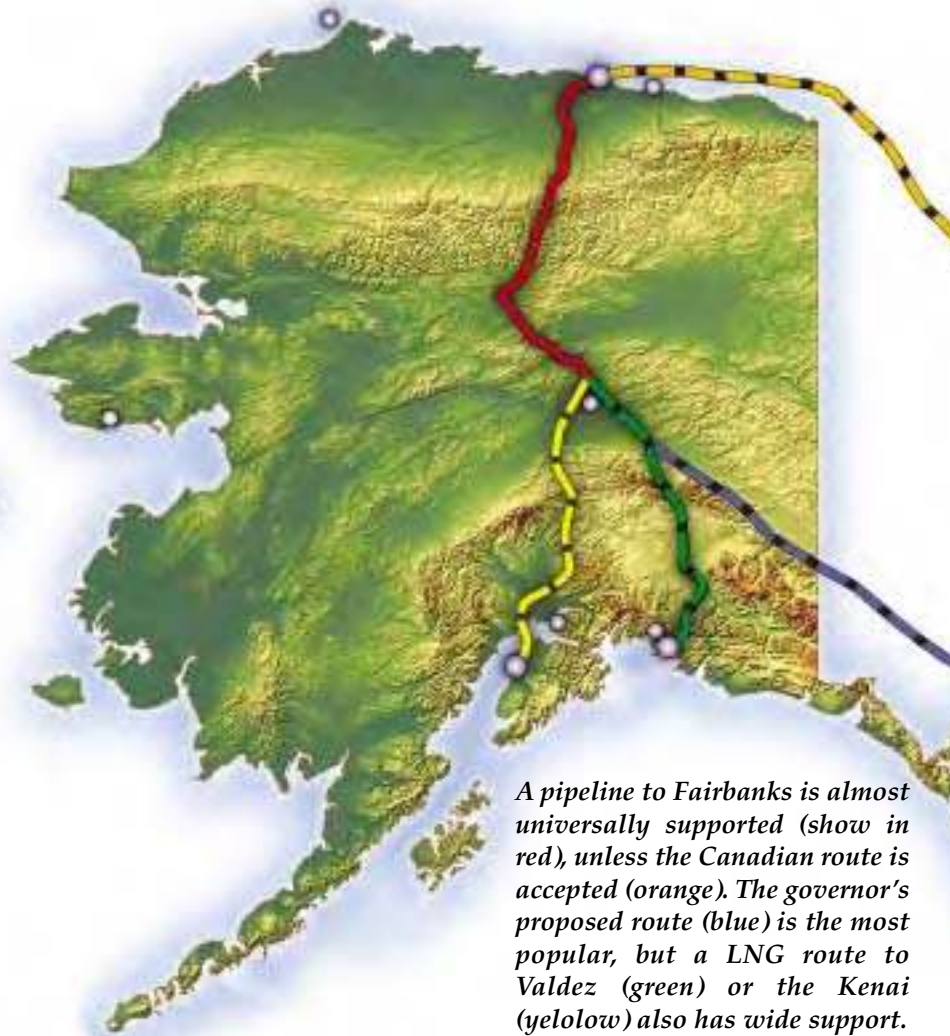
The Pipeline

Governor Tony Knowles strongly favors a gas pipeline through Canada to the Lower 48, and is taking steps to speed construction. In January, he established a permit coordinator's office and introduced tax-incentive legislation. "It's time to jump-start this important project," he said.

Knowles favors a route that parallels the existing pipeline from the North Slope to Fairbanks, and then down the Alaska Highway to Canada and the Lower 48. BP also advocates this method of development. They estimate the project could cost as much as \$10 billion and would take years to complete.

Canada has proposed an alternate route, laying the pipeline underwater from Prudhoe Bay east to the MacKenzie River Delta before heading south. This would allow for the development of gas fields in the McKenzie River area, but the route lies almost entirely in Canada and would have little impact on Alaskan contractors. Additionally, there are serious concerns with the cost, infrastructure, and permitting this route requires.

Alaska legislators are increasingly resentful of the governor's single-minded pursuit of building a trans-continental gas line. Many, including



A pipeline to Fairbanks is almost universally supported (show in red), unless the Canadian route is accepted (orange). The governor's proposed route (blue) is the most popular, but a LNG route to Valdez (green) or the Kenai (yellow) also has wide support.

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Rep. Eric Croft (D) of Anchorage, feel the administration's highway-only plan pushes aside alternatives which might be more beneficial for the state. Sen. Dave Donley (R-Anchorage) agrees that the governor's approach eliminates the opportunity to explore the alternatives, something local governments in many areas support.

Ken Freeman, Knowles' special assistant for business and gas line development, says legislators have nothing to worry about, as none of the proposed work precludes other options. But it appears the state lawmakers' fears are well founded. Roger Marks, petroleum economist for the State Department of Revenue, disagrees with Freeman. "There are things that the state of Alaska wants out of a gas project and an economic boost from the construction of a gas pipeline would be one. If all things were equal... a pipeline would be the preferred option."

Regardless of how events in Juneau end up, it appears that building a gas line as far as Fairbanks at least, is a given. From there, the line could extend as

planned to Canada, or if a liquefied natural gas alternative is chosen it could go to Valdez, Anchorage or several proposed locations on Cook Inlet.

Resources

The options are not mutually exclusive. With 35 trillion cubic feet of known reserves on the North Slope, enough gas exists to support several large projects. Undiscovered gas reserves on the slope are estimated to be at least equal the known amount. The National Petroleum Institute reports there could be as much as 75 trillion cubic feet of natural gas still to be discovered. If that estimate is accurate, the proposed pipeline to Canada could operate at its maximum capacity of 4 billion cubic feet a day for more than 75 years.

Known gas reserves are being used. Some 90,000 barrels a day of natural gas liquids (NGLs), mostly natural gasoline and butane, are sold commercially. Producers, however, have long ago discovered that the gas is most profitable remaining underground. At Prudhoe Bay eight billion cubic feet of gas comes up with

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the oil every day. Instead of being burned off, it is captured and reinjected into the wells, repressurizing the gas cap that drives the crude oil to the surface. Without this pressurized cap, nearly 40 percent of the oil pumped currently would remain in the ground. The gas is also sold to other North Slope fields to boost their production.

Currently, the loss of hundreds of millions of barrels of crude outweighs the market value of the gas. As the reservoirs become depleted, however, a breakeven point is reached, and gas becomes attractive as a product. This is estimated to take place around 2010, a convenient time since it will take at least five years to get the gas to market.

Recent price swings also favor gas development. Since January 2000, gas prices in the Lower 48 have climbed from \$2.20 per million BTU to as high as \$9 before gradually declining. Natural gas futures for April 2001 are currently trading for \$5.19 per million BTU. Experts claim that the price will eventually stabilize between \$3 to \$3.50. "Anything north of \$3" makes shipping gas south profitable, according to Michael Phelps, CEO of West Coast Energy.

Ultimately, the decision over which projects—or any at all—get off the drawing board remains with the oil companies who own the gas. Ownership is fairly evenly distributed between the three major players on the Slope; Phillips and Exxon own about 37 percent each of known reserves while BP/Amoco owns the remaining 26 percent.

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Former Gov. Walter Hickel and a group of Alaskan business and community leaders have spent nearly 20 years promoting a trans-Alaska gas pipeline. In recent years, major petroleum operators have joined with their Yukon Pacific Corp. to develop the idea. Recently, BP, Phillips, Foothills Pipe Lines, and Marubeni Corp. have formed a consortium to bring this proposal to market. The plan is to build a pipeline to southcentral Alaska, along with a plant to cool the gas under pressure until it becomes liquid. The liquefied natural gas (LNG) could then be shipped to Asia.

This plan would require not only building a pipeline to tidewater, but also an LNG plant and port facilities. Current market demand in the planned Asia market is estimated at between 7 million – 9 million tons a year. Meeting this demand for 30 years would require 10 trillion cubic feet of gas, about 30 percent of known reserves. If the gas is shipped to West Coast markets as well, demand and profitability projections increase substantially.

The key issue, however, is whether LNG can be provided economically to Asia when gas in Siberia, Sakhalin, Indonesia and Australia is closer—and perhaps more cost effective. Alaskan gas has the advantage of sitting in developed fields with existing infrastructure, which the other fields do not have. Alaska is a politically stable source and is closer than sources in the Middle East and Latin America. The disadvantage is the project needs a LNG plant and an 800-mile pipeline to be built. Producers would also have to market enormous quantities of the liquefied gas to get the economies of scale necessary to turn a profit.

There are other issues as well, such as whether the pipeline should parallel the existing route to Valdez, or follow the more heavily populated Railbelt to a facility in Kenai. The BP-led Sponsor Group has narrowed LNG development plans to one of the two options. Phillips, a member of the consortium, has operated a LNG plant in Nikiski for almost 30 years without incident.

However, permitting, roads and other issues would almost certainly be easier following the existing pipeline

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Phillips Alaska has safely operated a LNG plant for 30 years in Nikiski.

photos courtesy Alaska North Slope LNG Project

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to Valdez. Additionally, the mayors of Valdez, Fairbanks North Star and North Slope boroughs have formed the Alaska Gasline Port Authority to promote this route. They claim they can substantially lower the development cost, because as a government entity, they do not pay a federal income tax, and have access to tax-exempt financing.

Others have proposed building the LNG plant at a site on Ship Creek, near the port of Anchorage, shortening the pipeline by 150 miles. Others suggest a terminus at Port McKenzie, which offers an equally short route, but avoids the problematic Knik Arm Shoal.

In any of the Cook Inlet scenarios, the pipeline would bring cheap energy within easy reach of more than 70 percent of the state's residents. Otherwise, a gas spur line to Anchorage would be needed.

Simply put, the LGN option seems to offer more construction opportunities than a transcontinental pipeline. It requires more miles of in-state pipeline, a port, and a gas cooling plant. It also offers lower overall project costs when compared to Gov. Knowles' plan.

Can the idea succeed without the governor's backing? Perhaps. At a public policy forum recently, Congressman Don Young insisted that any finished pipeline he approves of will run due south, not southeast. As the new chairman of the U.S. House Transportation and Infrastructure Committee—which oversees pipeline construction—he will have a powerful influence on the final decision.

Synthetic Crude

A third option to get North Slope gas to market is to convert it into synthetic crude. This could be done on the North Slope, sending the finished product in batches down the existing trans-Alaska pipeline.

ExxonMobil is strongly in favor of this option. They recommend building a North Slope gas-to-liquid (GTL) plant that produces 100,000 barrels a day of synthetic oil and low-sulfur diesel fuel. They have already invested \$400 million researching the concept, and say the tech-

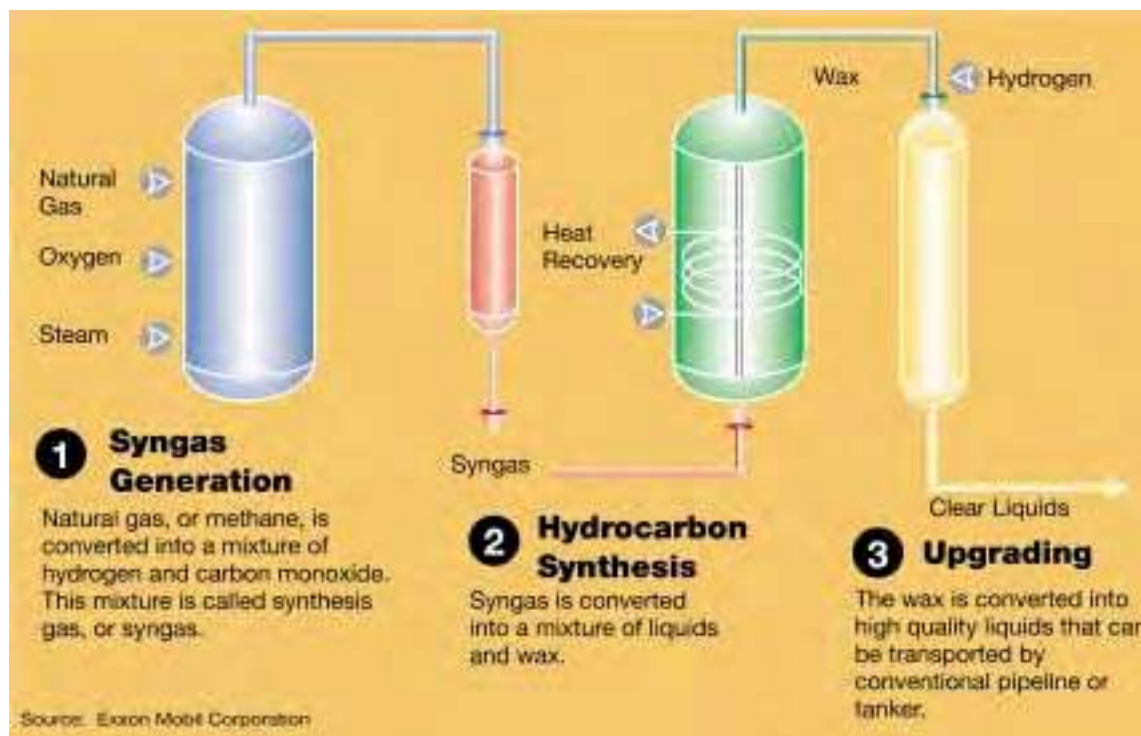
nology is ready. "We're working to get the other [political and economic] factors in line," says Bob Davis, spokesman for Exxon.

BP/Amoco has a pilot plant under construction at Nikiski on the Kenai Peninsula that will produce 300 barrels a day of super clean "white crude" using a technique that is probably more cost effective than the Exxon method. If BP's technology proves successful, a full-scale plant will probably be built on the North Slope within five years unless a pipeline to Canada appears imminent. Such a plant would cost \$3 billion to \$4 billion according to their estimates.

Either method uses about 10,000 cubic feet of gas to make one barrel of synthetic crude. Producing Exxon's projected 100,000 barrels a day of GTL for 30 years would use about 10 trillion cubic feet of gas, about 30 percent of known reserves, roughly the same amount as the proposed LNG projects.

A GTL plant on the slope has multiple benefits neither of the other two plans offer. GTL hinges on a supply of cheap oxygen. The BP method—the most cost effective—uses steam instead of air as an oxygen source. Used in a powerplant, the excess steam could generate enough energy to solve the projected energy needs of the Slope for

the foreseeable future. A 100,000 barrel-a-day facility could generate 90 percent of current energy needs.



Additional port facilities (above) might need to be built for SNG or LNG to reach the world market.

Natural gas is converted into synthetic crude using the method shown at left.

Producing GTL on the Slope would have other benefits. By boosting the total amount of product traveling through the pipeline, it would decrease the per-unit cost for all products shipped. By defraying production, transportation, and pipeline maintenance costs, it would extend the profitability of the oil fields and possibly even spur further oil development according to Marks, the government petroleum economist.

It also allows profitability at low production levels, scaling up as demand increases. If, as predicted, worldwide demand for clean burning fuel increases, it could become cheaper to produce synthetic crude than refine the natural variety. In this scenario, plant construction could possibly extend for decades.

Some have suggested that the GTL method is the most appealing choice for Alaska contractors, despite the fact that it eliminates the \$4 to \$5 billion pipeline project. Tim Bradner, editor of the Alaska Economic Report writes "since Alaskan firms have demonstrated that even large oil field processing modules can be built in the state, many of the GTL modules could also be built here.

These are very large plants and a lot of construction would be involved. Unlike a pipeline, which would create a short but intense construction boom, GTL plant construction would be staged over several years."

This would resolve Alaska General Contractor Association President Dick Cattanach's concern that "Alaska might not have sufficient labor" for a major gas pipeline. It would also keep more of the money in state. As a benchmark figure, the construction manager of the small GTL plant under construction at Nikiski expects that roughly half the \$86 million cost will be spent in Alaska.

No one is certain which of the natural gas proposals will be built, but all of them hold promise for the Alaskan construction industry. Whether the final plan includes a pipeline to Canada or Valdez, a spur to the Cook Inlet, an LNG plant in the south, or a GTL facility in the north, doesn't matter. All the proposals involve major construction work, and the general contractors of Alaska are sure to be involved. 🐾

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Signs of Success

by Clark Ricks

Jack Barnes is proud of what he does. As president of Alaska Signs and Barricades, his company provides indispensable products and services to the road-construction industry. When street closures are needed, when traffic detours are made, or when parade routes are cordoned off, Alaska Signs and Barricades is there. When the job is done right, motorists can avoid construction areas quickly and efficiently and be back on their way with little delay.

Directing traffic flow is not easy, but according to Barnes, it's not nearly as tough as directing a company. He claims that one of his greatest accomplishments was being able to survive "...when everyone else was going broke in the '80s." For a while it seemed that for many in the construction industry, a "road closed" sign had been placed on the path to success. Having successfully weathered that, Alaska Signs and Barricades has become a prominent fea-



Jack Barnes (left) and his son Jim own and operate Alaska Signs and Barricades.

ture wherever Anchorage roads are under construction.

Barnes had spent 25 years in the explosives industry when an acquaintance approached him in the early 1980s about starting a sign and barricade company. Familiar

with construction, he saw potential in the niche industry, and in 1983 they founded Alaska Signs and Barricades. Barnes later bought his partner's interest and gained full ownership of the company. He also still operates a drilling and blasting business on the side.

Today, Alaska Signs and Barricades works on a wide range of projects every summer, providing contractors with a vital service. Most of the work involves the design and set up and management of traffic control systems, but they will also rent and sell signs, barricades and other products to the contractors themselves.

The company limits itself to jobs within Anchorage and the Mat-Su Valley, finding that the region provides them

with more than enough work during the busy summer season.

During peak season, they employ four or five workers full time. During the winter they inventory and repair equipment, bid jobs, and wait for it to warm up. Planning the next summer's contracts sometimes involves a little guesswork. "We pretty much count on our construction season running from May 1 through October 31," he says, "but it of course depends on the winter." Scheduling the project workloads evenly is also an obstacle. "Some stuff we get a couple months warning on," he says. "Some stuff they just drop in our laps. We do what we can."

During the fall of 1998 and summer of 1999, they redirected traffic around a major project at the Lake Otis and Tudor Road intersection. A few years back they were responsible for closing a length of Minnesota for an entire weekend.

This situation illustrates a challenge road workers face. The Minnesota project, like all major roadwork, requires that the signs be set up and the roadwork done when traffic is minimal. This means employees must often erect street signs, cones, barricades and barrier tape at night or on

weekends.

Alaska Signs and Barricades is usually responsible for making their own rerouting diagrams, except when one is already specified in the contract. Nearly all their employees are certified to do this. As an additional precaution, all plans are approved by either the state department of transportation or Anchorage City Traffic and Engineering, depending on who is overseeing the work.

In addition to construction, they also reroute traffic for major public events, such as parades, footraces and other happenings that require traffic-free streets. The annual "Run for Women," for instance, requires what Barnes describes as "some pretty major street closures." Half a mile of A Street. Four or five blocks of 9th Ave. Another seven blocks of E Street.

As with most closures, it takes much longer than one would expect. In order to be ready for the race, Jim Barnes estimates it takes a crew of three to four people about 10 hours of work for the one-hour closure. "We start setting up around 3 a.m. to get done by race time." Then, before it's even lunch, they're out there again taking things down.

Because of the odd hours the job requires, finding

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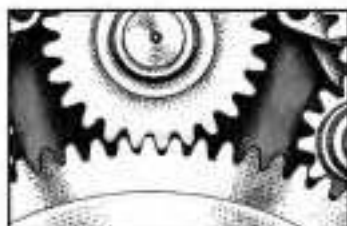


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trained personnel is a problem. Barnes lists this as one of his greatest challenges. He says its tough to find people who "put up with the hours and the 3 a.m. cone setups," and meet Department of Transportation qualifications.

Still, he has several employees that he counts on. His son Jim Barnes has been with the company since it's founding in 1983. Shon Salazar, a 10-year veteran of the company, is frequently used to design traffic rerouting. Like all employees, he is also certified as a "traffic control supervisor," which means he not only is a certified flagman, but has also shown he can design the closure and set up the appropriate signs in accordance with all appropriate legal standards.


Legal requirements have potentially disastrous consequences. Barnes claims the insurance for the sign business is every bit as important as it is for his blasting work. Some see that as a major handicap. Alaska Signs and Barricades has turned it into a competitive advantage. He explains: "Traffic control has a certain amount of liability in it. We pride ourselves in setting up a system so that the main contractor doesn't have to worry about it."

As opposed to some companies who specialize in large

projects, this company built its reputation on doing the small routine jobs that make up the majority of their work quickly and correctly. They've worked with some customers for almost 20 years. "We've proven through hard work that we're capable of taking care of them," he says. Their business philosophy is still attracting new customers, too.

Most of their advertising is by word of mouth. "You get a lot of great advertising by just doing the job right. Contractors drive by and take notice."

So, what does the future hold? "For the next few years we see continued growth," he notes, primarily due to highway construction. They do not plan on diversifying, but instead see perhaps growing into "some other form of specialty subcontracting." Over the years, they've done two or three jobs putting in aircraft tiedowns, for example.

In some ways, it's ironic that Alaska Signs and Barricades' path to success has been made possible by detours and road closures. But there has never been one on their road to success they couldn't redirect themselves around. And that just might be their greatest accomplishment. 



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The Tortured & Tragic Tale of Alaska's Local Hire When lawmakers refuse to obey law...



by **Bob Dickson**

Robert J. (Bob) Dickson is a partner in the Anchorage law firm of Atkinson, Conway & Gagnon, Inc. He concentrates on civil litigation with an emphasis on construction contract disputes and construction bonding matters.

The Alaska Department of Labor continues to enforce hiring preferences for Alaska residents despite the repeated court decisions that have uniformly struck down each legislative preference enacted that was challenged.

In 1973, the Alaska Supreme Court struck down a state government employment preference for persons who had lived in Alaska for one year or more, (the *Wylie* case). In 1975, the same court struck down a 1972 statute that attempted to grant to Alaska trucking companies "grandfathered" intrastate operating authority, which would give them preference over trucking companies based Outside, but operating in Alaska, (the *Lynden* case). The court held that, "a discrimination between residents and nonresidents based solely on the object of assisting the one class over the other economically cannot be upheld... Benefiting the economic interests of residents over nonresidents is simply not a permissible legislative purpose" under the United States and Alaska constitutions.

In 1972, the legislature also passed a statute called "Local Hire Under State Leases," which required all companies that obtained oil and gas leases, easements, right-of-way permits or unitization agreements to hire qualified Alaska residents before any nonresidents could be hired. It became known as "Alaska Hire." A person had to live in Alaska for a year before he or she could be considered a "resident." In 1977, in *Hicklin v. Orbeck*, the Alaska Supreme Court struck down the one-year duration requirement, but approved the statute's preference for residents—no matter

how recently moved to Alaska— over nonresidents.

The case was appealed to the United States Supreme Court, which in 1978 struck down the entire law on the grounds that it favored the citizens of Alaska over the citizens of the other states. Such a preference violated the Privileges and Immunities Clause of the U.S. Constitution. The law was

repealed in 1980.

Alaska also had another statute, AS 36.10.010, which preferred residents to nonresidents for work on all public construction projects. It was enacted in 1960 and amended in 1972 to require 95 percent of all people working on public construction projects to be residents. Only if there are no qualified Alaska residents available to work on the project can any nonresidents be hired. In 1981 and 1982, after the *Hicklin* decision, the Alaska Attorney General expressed his doubts about the statute's constitutionality. But six months later in June 1982, he advised state agencies that it was constitutional. The next year the position was again reversed when the Attorney General advised state agencies that if federal funds were going to be used on a project, the local hire preference should not be used because the feds viewed it as unconstitutional and might withhold funds.

In the meantime, many other preferences for residents over nonresidents were being struck down by the courts, including differential state income tax relief (1980), different permanent fund dividend amounts (1982), and longevity bonus entitlement (1984).

In February 1984, the U.S. Supreme Court held that a

Camden, New Jersey preference for residents on public construction projects violated the Privilege and Immunities Clause, but left a slight loophole if a state could prove that nonresidents “constituted a peculiar source of the evil at which the statute was aimed.” (The *Camden* case.) Unfortunately, in Alaska it had been authoritatively determined that unemployment was not being caused by nonresidents but by residents lacking education and training, and by residents living in areas remote from job opportunities.

In January 1986, the Alaska Supreme Court struck down the Alaska local preference on public construction, (the *Robinson* case). While in session that same year, the legislature enacted a new preference scheme whereby residents of an area within the state which the labor commissioner had determined to be either a “zone of underemployment” (AS 36.10.150) or an “economically distressed zone” (AS 36.10.160) would be preferred over residents from elsewhere in the state and over nonresidents.

Predictably, the Alaska Supreme Court struck down that scheme in 1989 (the *Enserch* case). Since the case involved only one section of the statute, only the preference for residents of “economically distressed zones” (AS 36.10.160) was struck down. Preference for those living in “zones of underemployment” (AS 36.10.150) was left intact. The Department of Labor has taken the position that § 150 is still valid.

Neither the Department of Labor nor the Attorney General’s office has issued any written analysis justifying the efforts to enforce § 150 when it suffers from the identical constitutional defect as § 160.

In 1995 the Labor Commissioner determined that “the entire state of Alaska was a zone of underemploy-

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ment." By so doing, all Alaska qualified residents were preferred over nonresidents on a project-by-project, craft-by-craft basis. Despite the repeated decisions of the Alaska and United States Supreme Courts, the Department of Labor continues to require contractors to obtain waivers before nonresidents can be hired. The waivers are granted only upon a certification by the applicable union that it is unable to fill a specific request for a particular craft on the job with a "qualified Alaska resident."

The Department threatens to assess penalties if a nonresident is hired before the waiver is obtained. However, the DOL has not set any penalties high enough to warrant contesting the constitutionality of § 150. Given the political forces in play, the likelihood of a repeal of the statute by the legislature or a repeal of the underlying regulations by the executive branch is probably about nil.

Following the *Enserch* case, project labor agreements (PLA) became the focus of attention. In 1990, the Attorney General provided an opinion that if a PLA was intended to prefer hiring union labor or those of a particular area it would probably be unconstitutional. The Attorney General later approved PLAs if they did not make previous union affiliation a requirement or favored existing union employees.

In 1998, the Alaska Supreme Court approved the use of PLAs even though the nonunion employees would have to pay union dues without ever benefiting from such funds. Additionally PLAs require nonunion employers to contribute to union benefit funds, again without any benefit to nonunion employees after the project. In January 1999, the attorney general again warned against using PLAs, which focused on creating regional hiring preferences. ❧

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