

# *Alaska Marine Highway Reform*



*August 16, 2018*

# AMHS Reform Team

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- Governor Walker, Lieutenant Governor, and Administration
- Southeast Conference
- Statewide Steering Committee
- Contractors
  - Elliott Bay Design Group
  - McDowell Group
  - KPFF Engineering Consultants



# Statewide Steering Committee

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- Chair: Dennis Watson - Craig
- Dave Kensinger - Petersburg
- Greg Wakefield - Anchorage
- Elizabeth Bolling - Ketchikan
- Shannon Adamson - Juneau
- Josh Howes - Anchorage
- Will Ware - Juneau
- Sharon Hildebrand - Fairbanks
- John Whiddon - Kodiak
- Dan Kelly - Ketchikan
- Michael Anderson - Cordova
- Dennis Bousson – Skagway
- Ex-officio – Commissioner Luiken
- Staff: Robert Venables

# Urgent Need for Financial Sustainability

- Funding affects schedule
  - State general funds decreased by \$38 million from FY13 to FY19
    - Short-term planning horizon
    - Service level and revenue decline
- AMHS Fund/Budget (AS 19.65.050)
  - Essential part of state transportation
  - Provide for predictability and stability
  - Provide stable services to the public

Late state budget delays fall-winter-spring ferry schedule

By Ed Schoenfeld, CoastAlaska - Juneau - July 26, 2017



The ferry Malaspina is shown in drydock and the Columbia is tied up at the Ketchikan Shipyard in February 2012. Damage to the Columbia is delaying its return to service this fall and the Malaspina will help fill in. (Photo by Ed Schoenfeld/CoastAlaska News)

Alaskans have until the end of the month to tell the Marine Highway System what they think of its fall, winter and spring sailing plans.

# Aging Fleet: Increased Maintenance Issues

- Kennicott - 1998
- Columbia - 1973
- Tustumena - 1964
- Malaspina- 1963
- Matanuska - 1963

## Alaska ferry malfunction leaves passengers scrambling

Sunday, April 8th 2018, 7:06 pm AKDT by Liz Raines  
Updated: Monday, April 9th 2018, 4:46 pm AKDT



The Alaska Marine Highway system is working to clear a backlog of passengers and vehicles trying to get to from Homer to Kodiak following an electrical problem on the Kennicott ferry in Kodiak Friday.

# New Leadership

- Shirley Marquardt announced as Executive Director in May 2018
- Implementing Phase 2 recommendations



alaskapublic.org

AA

## Former Unalaska mayor to run state ferry system

Ed Schoenfeld, CoastAlaska - Juneau

May 16, 2018

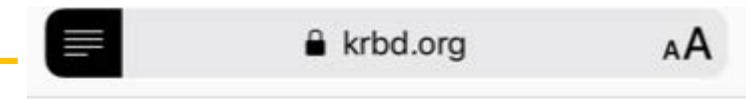


*The ferry Malaspina sails out of Juneau's Auke Bay terminal in 2012. It's one of 10 active vessels in the Alaska Marine Highway fleet. The system's new executive director, Shirley Marquardt, will begin work June 1. (Photo by Ed Schoenfeld/CoastAlaska News)*

The Alaska Marine Highway has a new top official.

# Future Fleet Development

- M/V Tazlina christened August 11 at Ketchikan Shipyard
- M/V Hubbard under construction
- Tustumena replacement in final design phase, construction soon
- Phase 4 analysis on future fleet



## Tazlina christened at Ketchikan shipyard



Ketchikan's Vigor Alaska shipyard Director of Workforce Development Doug Ward emceed the Tazlina christening ceremony Saturday in Ketchikan. Seated from left are Sen. Bert Stedman, Gov. Bill Walker, Sen. Lisa Murkowski and First Lady Donna Walker. (KRBD photo by Leila Kheiry)

# Multi-Phase Project

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- ✓ Mission, Goals, and Governance

*Completed May 2017*

- ✓ Strategic Operational and Business Plan

*Completed November 2017*

- ✓ Legislation

*HB 412 introduced April 2018*

- ✓ Interim Measures Identified

*Implementing now*

- Fleet/Terminal Standardization and Continued Outreach



# Phase 1

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- Examined mission, goals, and governance
  - Statewide summit
  - Stakeholder interviews
  - Case studies of other ferry systems
  - Mission statement refinement
  - Analysis of alternative governance models
- Recommended further exploration of public corporation



# Purpose

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*Deliver safe, reliable, and sustainable marine transportation for Alaska residents, visitors, and our commercial customers.*



# Phase 2

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- Created long-term operating and business strategy
  - Revenue analysis
  - Operations analysis
  - Operations financial model
  - Structure and benefits of public corporation
  - Public and stakeholder engagement



# Complex System

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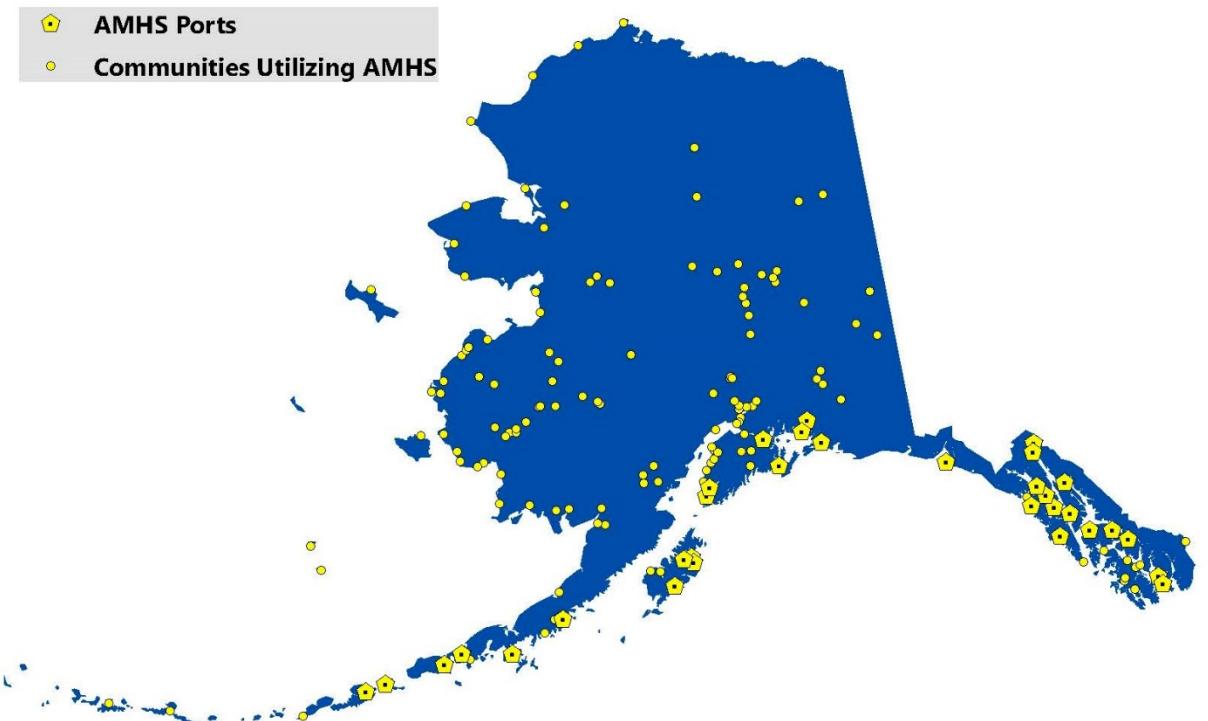
- 9 operational vessels
- 33 ports of call (34 terminals)
- Variable service schedules
- Aging fleet
- Terminal weight restrictions
- Personnel and travel account for 69% of operating budget



# Revenue and Traffic Analysis

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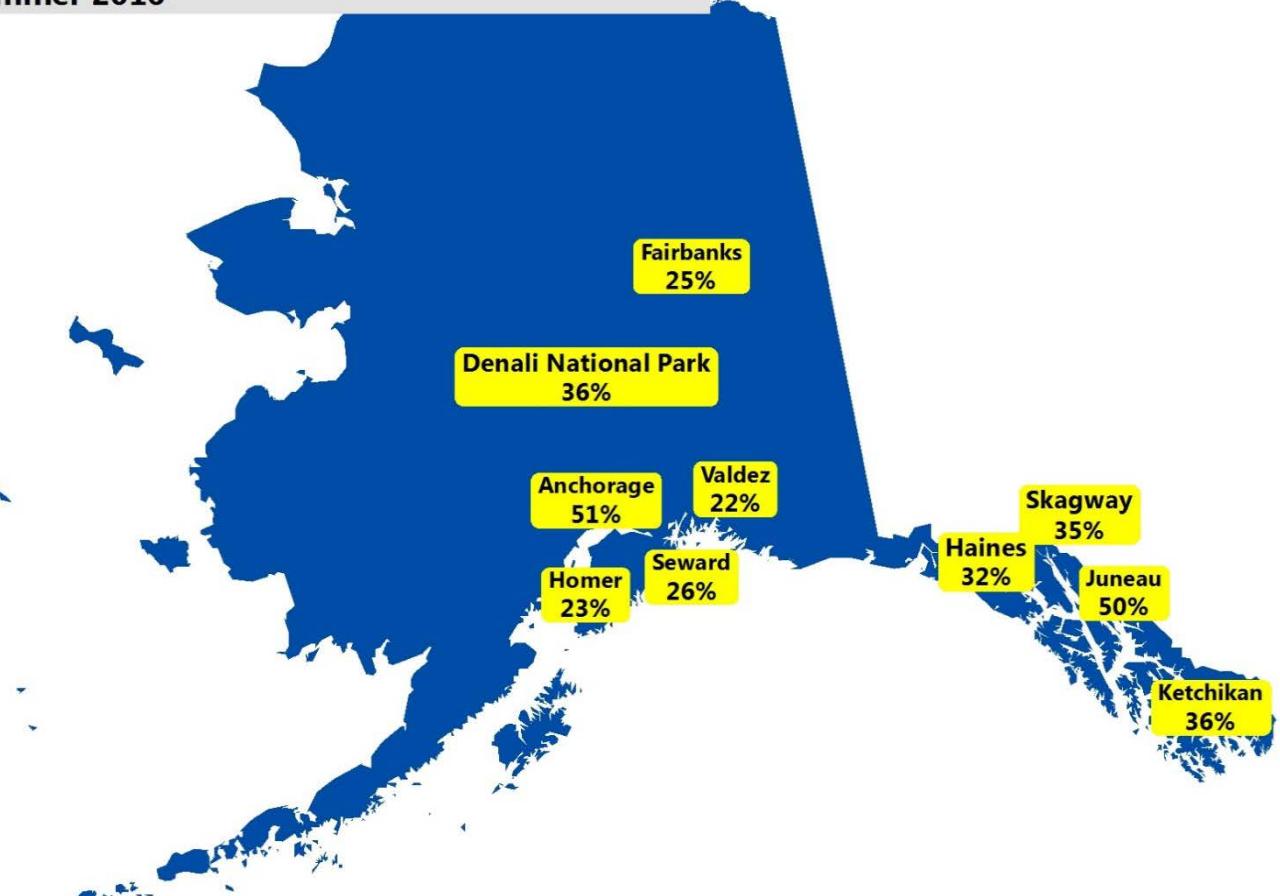
- AMHS carried Alaskans from 175 communities
  - Fairbanks North Star Borough
    - 3,316 passengers, 1,409 vehicles
    - Fairbanks, Ft. Wainwright, North Pole, Eielson, Salcha, and more
  - Bethel Census Area
    - 218 passengers, 52 vehicles
    - Aniak, Kipnuk, Kwethluk, Sleetmute, and more



# Revenue and Traffic Analysis

- Visitors using AMHS also travel Alaska's road system
  - 51% visit Anchorage
  - 36% visit Denali
  - 26% visit Seward
  - 25% visit Fairbanks
  - 23% visit Homer
  - 22% visit Valdez

Top 10 Destinations of Visitors using AMHS  
Summer 2016



# Public Corporation Benefits

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- Maintains existing benefits
  - Inter-departmental coordination
  - Public purpose of system
  - Access to federal funding
- Addresses limitations
  - Frequent turnover in senior leadership
  - Indirect labor negotiations
  - Short-term planning horizon
- Additional benefits
  - Incorporate board expertise
  - Operate in business-like manner
  - Align labor and management interests
  - Reduce labor costs strategically

# Additional Findings

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- AMHS will always require public funds to provide safe and reliable transportation
- Best opportunity for revenue growth is through stabilized funding
- Transitioning to a modern and standardized fleet creates critical cost savings
- Use revenue and market analysis to guide actions
  - Bellingham is an essential revenue source (44% of total)
  - Non-residents account for 42% of revenue



# Phase 3

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- Building structure and momentum
  - Legislation introduced (HB 412)
  - Sustaining public support
  - Identifying interim measures



# Interim Measures

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- Actions that can be taken now
  - Work towards more a sustainable, business-like organization
  - Align with longer-term objectives
- *1: Stabilize Funding*
  - Increase revenues and align with seasonality
- *2: Fleet and Terminal Standardization*
  - Financial and operational efficiencies
- *3: Robust Market and Revenue Analysis*
  - Allows AMHS to deploy resources effectively

# Interim Measures cont.

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- *4: Address Labor Relations*
  - Negotiate directly; reduce labor costs strategically
- *5: Board Development*
  - Phase 2 recommended 7-member board
  - 5 with needed business/transportation expertise AND 1 representative of union employees
  - Seated as soon as possible to assure a smooth transition to the public corporation

# Interim Measures cont.

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- *6: Corporation Development*
  - Advance preparation needed for smooth transition
- *7: Employee Communications*
  - Improved, but further face-to-face meetings needed
- *8: Explore New Revenue Sources*
  - Non-operating revenues, partnerships, concessions, and shoreside potential
- *9: Maintain Public Support*
  - Continue project momentum

# Project Sponsors

## *Platinum Top Contributor: Ketchikan Gateway Borough*

### LEGACY CONTRIBUTORS

- City & Borough of Juneau
- City of Ketchikan
- City of Valdez
- First Bank
- Haines Borough
- State of Alaska

### BRONZE SPONSORS

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- City of Cordova
- City of Craig
- City of Pelican
- City of Thorne Bay
- City of Unalaska
- Cordova Chamber

### BENEFACTORS

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- City and Borough of Sitka
- Lynden Inc.

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- Hyder Community Association
- Inter-Island Ferry Authority
- Madison Lumber & Hardware
- Marine Engineers
- Masters Mates and Pilots Union
- Petersburg Chamber of Commerce

### SILVER SPONSORS

- City of Kodiak
- Ketchikan Marine Industry Council
- Municipality of Skagway
- Prince William Sound Economic Development District
- Vigor, Ketchikan Alaska

### BRONZE SPONSORS cont.

- Petersburg Economic Development Council
- Sitka Economic Development Association
- Sitka Tribes of Alaska
- SouthWest Alaska Municipal Conference (SWAMC)
- Travel Juneau
- Wrangell Convention and Visitors Bureau

# *Thank you for supporting this effort!*

## Ways you can help

- Stay informed
- Financial
- Legislative support
- Public outreach

[www.amhsreform.com](http://www.amhsreform.com)

