

AMHS Reform Project Business and Operational Plan

Southeast Conference Statewide Initiative

Presented To: Alaska State House Transportation Committee

Date: March 14, 2017



Project Steering Committee

- 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, SWAMC - Kodiak
- Dan Kelly - Ketchikan
- Michael Anderson - Cordova
- Dennis Bousson – Skagway
- Staff: Robert Venables

Ferry Summit

- Held in Anchorage on August 20, 2016
- 50 attendees from across Alaska
- Identified three basic user groups
 - Residents
 - Visitors
 - Businesses



Key Themes

- Transportation is a foundation for the Alaskan economy along with energy and communications
- Provides engagement between Communities
- Gives access to fundamental services:
 - Healthcare
 - Shopping
 - Entertainment
 - Connection to Lower 48
- Meets needs of military families
- Fee for Service (not Subsidy)



Critical Concepts

- **Dependable**
 - Schedule is known 18 to 24 months in advance
- **Reliable**
 - Breakdowns will be seldom and there will be some reserve capacity
- **Efficient**
 - Clear metrics used to improve revenue and reduce expenses
- **Sustainable**
 - Finances are predictable and benefits to Alaska are recognized

Proposed Vision Statement

- To be the preeminent marine travel experience that exceeds the expectations of the communities and users we serve, while connecting with other intermodal components of State, federal and international transportation systems.



Proposed Mission and Values

Mission

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

Values

Safety

- Safety is our top priority in all aspects of providing marine transportation.

Excellence

- Personal and organizational commitment to deliver excellence through continuously improving operations, vessels, facilities, and guest experiences.

Integrity and Respect

- Ensure honesty, dependability, loyalty and a high ethical standard with a positive regard for customers, investors, stakeholders, and colleagues.

Partnerships

- Manage operations in a fiscally responsible manner with our various business, employee, and community stakeholders to advance each other's interests, create partnerships, and lower user costs.

Teamwork

- Operate as a cohesive team through honest, respectful, and trusting interactions to ensure the organization's viability with the goal that our employees' professional expertise is developed, maintained, and relied upon to the fullest extent possible.



Governance Summary

	Line Agency	Public/ Private	Public Authority	Public Corpor- ation	Private Sector	Trans- portation District
AMHS	X					
GGF						X
BCF				X		
WSF	X					
NCF	X					
NYW		X				
BPJ					X	
SSA			X			
CM				X		

Identified Best Practices

- A clear vision and mission for the system facilitates governance.
- Setting performance goals and giving authority over revenues and expenses to the management team facilitates operational efficiencies.
- If the system operates with financial support from state government, there needs to be a predictable, long-term funding source identified for both operations and capital construction.
- Oversight of the ferry service functions best when there is a dedicated board free from day-to-day political influence.

Governance Analysis

- Insulate management from politics wherever possible
 - How do you hire good managers and let them manage?
- Give management control over both setting tariffs and managing expenses
 - Where is the ability to react to changing economics?
- Retain access to funding from Federal government for capital projects
 - Who owns and manages the assets?
- Fees to support operations must be part of revenue stream
 - What is government's role in providing basic services?
- Means of coordinating with other transportation modes is essential
 - Where do roads and ferries connect to create a surface transportation network?
- Structure must reflect the benefits to all of Alaska, not just the communities served
 - Why should other communities support the ferry users?



Public Corporation (CalMac model)

- Organized as a corporation with a single shareholder which is the State of Alaska
- Contract with government on a fee for service basis
- Mission is to operate the system as efficiently as possible over a sufficient time period to invest in operational improvements
- Compensation and incentive systems in line with peer businesses
- State government owns the assets (vessels and terminals) and leases them to the public corporation
- Oversight is provided by a board of directors with members representing different stakeholders



Caledonian MacBrayne
Hebridean & Clyde Ferries

Improved Line Agency (Interim)

- Forward funding one year in advance to improve planning by users
- Shift labor relations from DOA to AMHS to better align costs with service levels
- Rationalize tariffs to improve transparency (in process)
- Use reservation system to implement some dynamic pricing elements
- Allow incentives for management and employees to achieve objective performance metrics



AMHS Reform Project - Phase 2

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Phase 2 Objectives

- Identify reforms to AMHS that will improve operations and stabilize finances
- Inform and engage key stakeholders to build consent towards reform
- Provide guidance on legislation changes necessary for a change in governance structure

Tasks

Vital

- Revenue Analysis
- Operations Analysis
- Operations Financial Model
- Structure and Benefits of Public Corporation
- Transition Plan
- Public Process and Stakeholder Engagement

Optional

- Capital Needs

Revenue Analysis

Objective

- Identify mix of public funding and other revenues that will provide for the sustainability of AMHS over the next 25 years
- Explore possible changes to tariff rates and structure
- Consider potential partnerships with private, tribal, municipal and/or non-profit entities

Deliverable

- Long-Range Revenue Development Strategy Report

Operations Analysis

Objective

- Identify the basic transportation and shipping needs for Alaskans
- Better match vessels to specific routes, both to inform the Transition Plan and enable development of different operational scenario options. It will also be valuable information in the short term for current AMHS management decisions.

Deliverable

- Vessel and Terminal Operations Report with strategic operational goals

Operations Financial Model

Objective

- Identify the routing structure that is most viable for the AMHS
- Review opportunities for contracting for concessions, routes, or other aspects of operations

Deliverables

- Long-Range Financial Strategy Report

Structure & Benefits of Public Corporation

Objective

- Describe in detail the governance structure that best enables and empowers the management team to operate the AMHS in an economically optimal way that meets user needs

Deliverables

- Profile and Case for the Public Corporation

Transition Plan

Objective

- Provide a road map for creation of, and transition to, a Public Corporation

Deliverable

- Transition Plan

Public Process and Stakeholder Engagement

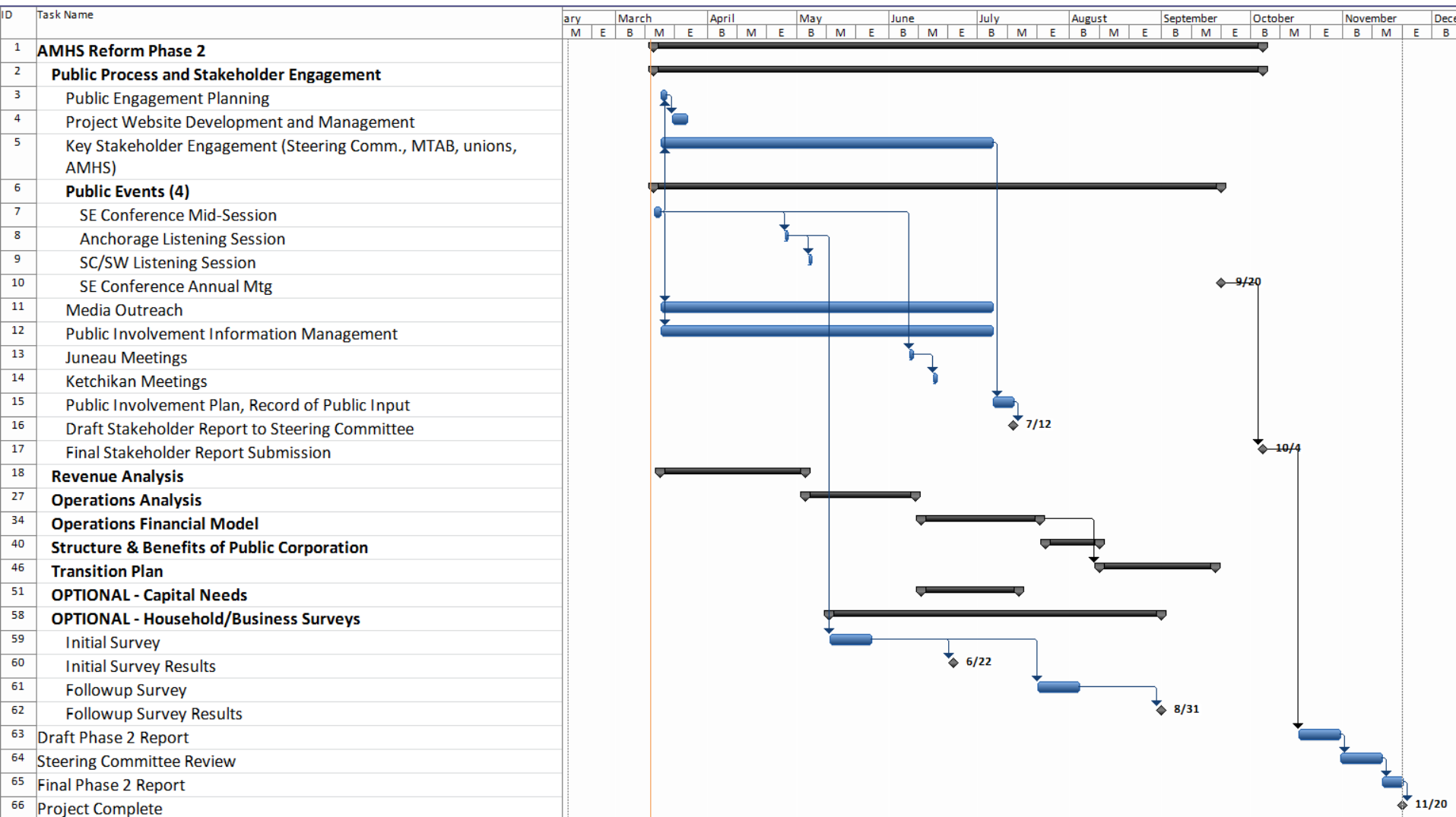
Objective

- Guide the steering committee through a robust stakeholder engagement and public process that is essential to gaining public and political support for the transition to a Public Corporation.

Deliverables

- Draft and Final Public Involvement Plans; press releases, presentations, and media briefings; and a record of public comments received throughout the project. If a survey is also conducted, then summary of resident and business survey findings.

Timeline



Project Sponsors

LEGACY CONTRIBUTORS

- Ketchikan Gateway Borough
- Haines Borough
- City of Ketchikan
- State of Alaska
- City of Valdez

BENEFACTORS

- Alaska Committee
- Lynden Inc.
- City and Borough of Sitka

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- Central Council Tlingit Haida Indian Tribes of Alaska

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- Travel Juneau
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- City of Pelican
- Petersburg Economic Development Council
- City and Borough of Wrangell
- Masters Mates and Pilots Union
- Cordova Chamber
- Hyder Community Association
- Southwest Alaska Municipal Conference
- City of Thorne Bay
- Petersburg Chamber of Commerce
- Wrangell Convention & Visitors Bureau
- Sitka Tribes

Thank You!

Robert Venables
Energy & Transportation Coordinator
energy@seconference.org

Shelly Wright
Executive Director
shellyw@seconference.org