



HAINES BOROUGH, ALASKA
P.O. BOX 1209, HAINES, ALASKA 99827
Administration 907.766.2231 ♦ (fax) 907.766.2716
Tourism 907.766.2234 ♦ (fax) 907.766.3155
Police Dept. 907.766.2121 ♦ (fax) 907.766.2128
Fire Dept. 907.766.2115 ♦ (fax) 907.766.3373

Stephanie Scott,
Mayor

January 16, 2013

Jerry Lapp,
Deputy Mayor

Dear Senator Egan and Representative Wilson,

Dave Berry Jr.,
Assembly Member

Steve Vick,
Assembly Member

Debra Schnabel,
Assembly Member

Joanne Waterman,
Assembly Member

Norman Smith,
Assembly Member

Thank you for convening a joint meeting of your respective Transportation Committees to inquire into the Administration's proposal to alter the plan to build the Alaska Class Ferry. The attached questions were collectively prepared by the Haines Borough Assembly during a special meeting convened on January 15, 2013, and we respectfully request the Committee's assistance in getting answers to them.

The plan to build and deploy the Alaska Class Ferry was developed with all stakeholders involved. In fact, a little over a year ago, the process was lauded by Commissioner Luiken at the December 15, 2011 Anchorage meeting of the Marine Transportation Advisory Board (MTAB).¹ We hope that you can bring to light the information that we need in order to fully evaluate this change of plan. We also hope that you can restore the public to its role through MTAB in the planning process.

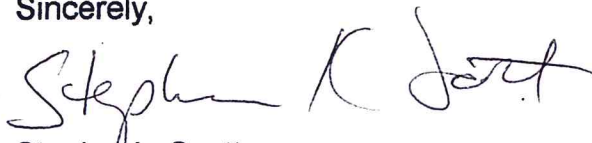
Mark Earnest,
Borough Manager

Thank you for your work.

Julie Cozzi,
Borough Clerk

Sincerely,

Michelle Webb,
Deputy Clerk


Stephanie Scott
Mayor, Haines Borough

¹ According to meeting minutes, Commissioner Luiken "thanked the board and DOT & PF officials for their stable and persistent work on the Alaska Class Ferry project. He said it demonstrated the excellent team effort made working with the design company and Alaska Ship and Drydock. He said that the partnership with the design company (Elliott Bay Design Group in Seattle) and Alaska Ship and Drydock are a good example of how the process can work by bringing together two groups for the purpose of building a superior ferry."

Questions to assist the Alaska State House and Senate Transportation Committees inquiry into Governor Parnell's proposed replacement of the Alaska Class Ferry with two smaller vessels, prepared by the Haines Borough Assembly

I. Service Standard in Southeast Alaska: frequency, versatility, capacity, and backup

- a. Demonstrate how the plan to use the smaller ferries meets the need for versatility (i.e. the Prince Rupert run).
- b. The Alaska Class Ferry was suited to serve the entire southeast region. Explain how the plan for two smaller ferries supports the need for backup service should other vessels experience mechanical problems, and can add flexibility to the system when special community events require greater access. What is the envisioned operating region of the new plan?
- c. How will the new plan address the needs for service in the Lynn Canal during periods of inclement weather, especially high seas?

II. The Role of the Marine Transportation Advisory Board (MTAB)

- a. Wasn't the purpose behind the MTAB public process to get the design "right"? Wasn't the goal of the process to match the vessel to the need? MTAB identified the actual need and the proper solutions were articulated in the form of a concept design. Shouldn't the focus be on funding the right tool for the job, as opposed to changing the tool?
- b. What is the role of the MTAB in the Administration's new plan?
- c. How does the State's plan for the role of MTAB align with AS 19.65.180 (C) with respect to developing a strategic plan for the Alaska Marine Highway?

III. The Proposed Design for the Two Smaller Ferries to Replace the Alaska Class Ferry

- a. There is a renewed focus on bow doors. While bow doors are said to offer great efficiency of roll-on/roll-off operation, the need to seal things properly to provide sufficient watertight integrity may result in significant construction and operation costs. There have been a couple of serious life-taking ferry accidents in the Baltic – all related to bow door failures.
- b. Does not the proposed design, stern/bow roll-on/roll-off (RORO) require a specialized loading dock? Is this factor considered in the cost/benefit analysis of the new plan?

- c. A partially opened car deck configuration has been referenced in earlier discussions. Will this be safe for the proposed routes? If it is deemed unsafe, how will the change affect the cost of construction for the two smaller ferries?

IV. Funds/Cost: The purpose of the new plan is to control costs. How will it achieve this? “With declining oil production and declining state revenue, we have to be smarter with the people’s money while meeting Alaskans’ marine transportation needs.” (December 4, Press Release from Governor Parnell announcing new direction.)

- a. We understand that the Alaska Class Ferry design was 35% complete, and that thus the cost estimates were in the same preliminary state. Provide us with the information that led to your conclusion that the AK Class Ferry would run over budget.
- b. To what level have the smaller ferries suggested as an alternative to the Alaska Class Ferry been designed? To what level has the cost of construction been estimated? Will you please provide us with the design and cost estimate documents?
- c. Provide the estimates of the operation and maintenance for one large Alaska Class Ferry, that makes one round trip but that can handle expected loads compared to the cost of operating 3 small shuttle ferries with crews several times a day.
- d. According to Commissioner Kemp’s December 20 report, the decision to build two smaller ferries instead of the Alaska Class Ferry is based in part on a prediction in a report of “a substantial increased cost that resulted in the highest annual AMHS subsidy of any alternative UAF analyzed” (page 2, Commissioner Kemp, 12/20/12). The report is based on AMHS data from 2006. Why do you have such confidence in a report based on 6-year-old data, knowing that utilization (both commercial and non-commercial) has increased in the interim?
- e. How do you read the following sections of the UAF report that connect the highest increase in subsidy to a ferry-road combination as opposed to the replacement of the Malaspina by an Alaska Class Ferry?

Under Option 1B (Malaspina is replaced by an Alaska-Class shuttle ferry):
 AMHS’ financial performance is only slightly worse than the status quo (Option 1A) (p.189)
 Profitability index “is statistically identical to that of the Status Quo and is to be expected.” (p.191)

The Option 4 (Multiple Alaska-Class Ferry plus Juneau Access Highway) would (p.190):

Result in a greater operating subsidy than all options except for the “full” Service Expansion Option 3.

The revenues generated by the expanded Lynn Canal service fall well short of the level expected to accrue from the proposed capital expense.

In this option, revenue yield actually decreases while Marine Vessel Operating costs remain unchanged.

The solution – change the current labor contract:

Option 4 “appears the least ‘unprofitable’ of the six options.” (p. 191)

--

The report concludes: “Options 1B and, 4 illustrate that ship replacement of one or more existing vessels with Alaska-Class ships will increase the subsidy requirement, particularly in Option 4 where the fleet size increases.” (p. 193)

- f. The per/mile ticket prices between Haines and Skagway are the highest in the system per/mile than on other legs of the Marine Highway. How will the construction of lower cost ferries affect user costs, specifically in Lynn Canal?

V. Reorganization of the State Department of Transportation and Public Facilities

- a. Why is it necessary to eliminate the position of Deputy Commissioner of Marine Operations? Where will the functions of the Deputy Commissioner be handled? Help us understand the proposed reorganization and administrative structure.
- b. The Alaska Marine Highway is a statewide function similar to airports and road systems. It serves communities and commerce from Bellingham, Washington to the Aleutians. Where does it fit in the structure?

VI. Process Oriented Questions:

- a. Why did the current Administration wait so long, at such a cost (+/- \$3 million), to weigh into a public process that was producing something “unwanted”? Is there some element in the procurement regulations that needs to be addressed to avoid wasting funds in a similar manner in the future?