A scenic photograph of two Alaska Marine Highway ferries on a calm body of water. The ferries are white with blue and yellow stripes. In the background, there are large, rugged mountains covered in snow and a glacier. The sky is clear and blue. The text is overlaid on the middle of the image.

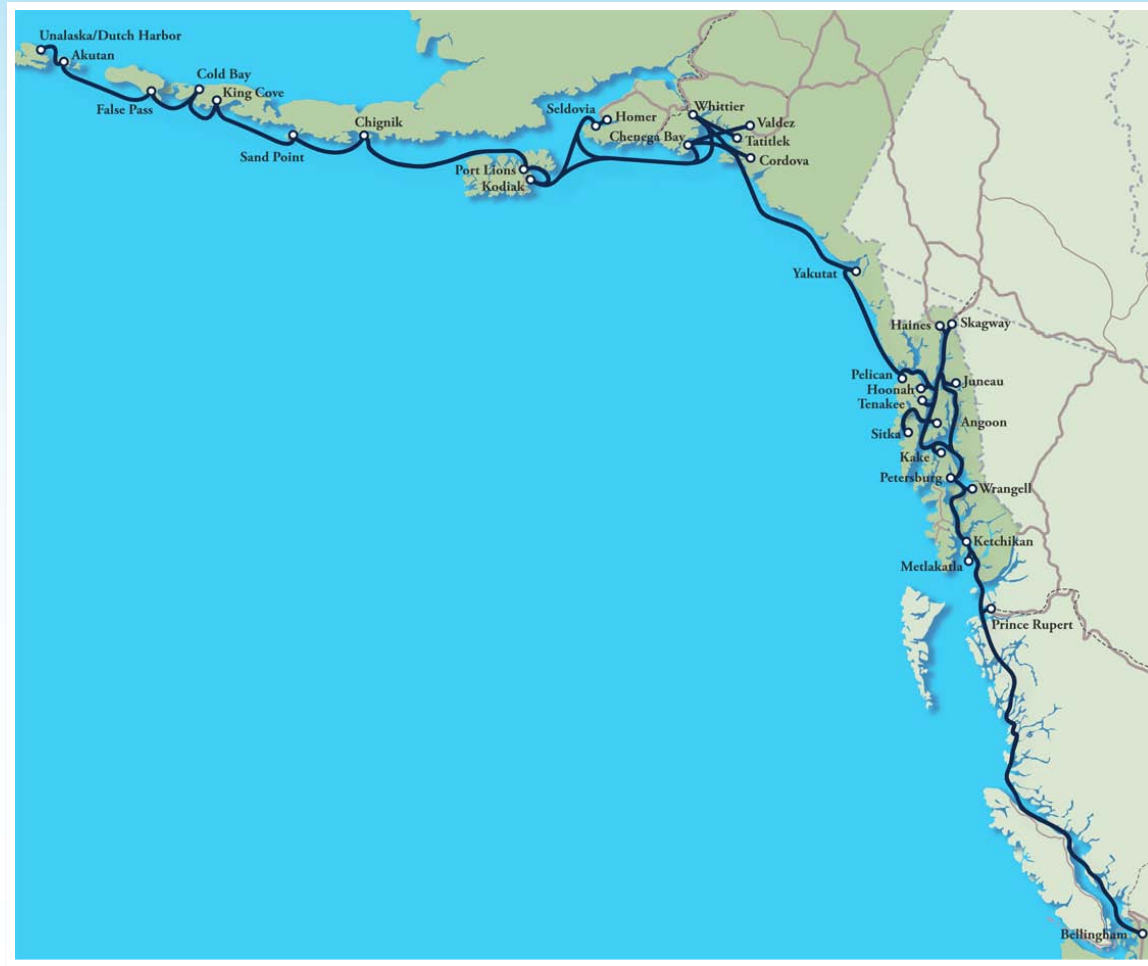
Alaska Marine Highway: Needs and Challenges

House Transportation Committee , October 1, 2009

Needs and Challenges: Logistics



Needs and Challenges: Logistics



Needs and Challenges: An Aging Fleet



MALASPINA 1963



Passengers: 499
Vehicles: 88

TAKU 1963



Passengers: 370
Vehicles: 69

MATANUSKA 1963



Passengers: 499
Vehicles: 88

TUSTUMENA 1964



Passengers: 174
Vehicles: 36

LECONTE 1974



Passengers: 300
Vehicles: 34

COLUMBIA 1974



Passengers: 499
Vehicles: 134

AURORA 1977



Passengers: 300
Vehicles: 34

KENNICOTT 1998



Passengers: 499
Vehicles: 80

LITUVA 2004



Passengers: 149
Vehicles: 18

FAIRWEATHER 2004



Passengers: 250
Vehicles: 36

CHENEGA 2005



Passengers: 250
Vehicles: 36

Needs and Challenges: Midlife Repower



COLUMBIA 1974



Passengers: 499
Vehicles: 134

MALASPINA 1963



Passengers: 499
Vehicles: 88

AURORA 1977



Passengers: 300
Vehicles: 34

- Priority Order: Columbia, Malaspina, Aurora
- All three vessels are at or beyond their mid-life repower need
- From order to completion: an estimated 3-5 years
- Cost: \$25 million per vessel

Needs and Challenges: Federal Funding



- **There are currently questions surrounding the new transportation bill**
 - Estimates for future federal funding for AMHS range from \$0.0 – \$20.0 M per year
 - AMHS needs approximately \$25.0 - \$27.0 M per year for major vessel and terminal projects going forward
 - AMHS needs substantial funds for vessel replacement and vessel repower
- **A lack of federal funding could put an additional burden on to State capitol funding**

Needs and Challenges: Early Schedule Release



- **AMHS is committed to the earliest possible schedule release dates**
 - July 1st- for release of fall/winter/spring schedule (October – April)
 - October 1st- for release of summer schedule (May – September of next year)
- **Because these are forward looking commitments, AMHS requires cooperation with the administration and legislature to support the schedules as developed with appropriate funding levels**
 - Operating Budget
 - Capital Budget

Needs and Challenges: Alaska Class Ferry



- Will start the replacement of the aging fleet
- Operationally more efficient than mainline vessels due to smaller crew size, fuel efficiencies, and the reduced maintenance needs of newer vessels
- Currently have \$60 M authorized with remaining \$60 M in current STIP
- The first Alaska Class Ferry will replace either the Malaspina, Matanuska, or Taku

Needs and Challenges:

Operating & Maintenance Costs



- The operation of vessels is strictly guided by bargaining agreements and Coast Guard regulation
- Expenses for labor, fuel, and insurance comprise 87% of all vessel operating costs and are basically fixed in nature once the schedule is set
 - Bargained payroll increases include 5% wage increases as of 07/01/09 and 4% wage increases for the following year
- Ship yard costs continue to escalate

Needs and Challenges: Revenue Generation



- Alaska residents remain sensitive to tariffs, especially in smaller communities
- Economic impact of the recent recession on the travel industry has created price sensitivity
- Consumers are looking for the “Best Bargain”
- Decreases in the tourism sector may affect ridership. Winter ridership could decrease as residents cut back on ancillary spending

Needs and Challenges:

Fast Ferry Engine Problems



- Engine cylinder corrosion / erosion
- Near term operational status uncertainty
- Cost to State for pursuit of warranty fix of engines

Needs and Challenges: Increasing Regulation



- **Security**
 - Continually Increasing federal homeland security regulations
- **US / Canadian Customs**
 - US passports and documentation
 - Detection of illegal documents and deportation costs
 - Inbound radiation detection potential
- **EPA**
 - Engine emission standards
 - Vessel wastewater
 - Terminal Runoff water (storm drains)
- **State DEC**
 - Marine Sanitation devices, discharge standards
- **US Coast Guard**
 - Increasing Regulations