



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Transportation and
Public Facilities

OFFICE OF THE COMMISSIONER
Patrick J. Kemp, P.E., Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
Fax: 907.586.8365
dot.state.ak.us

January 22, 2013

The Honorable Dennis Egan
Chair, Transportation Committee
State Senate
Alaska State Capitol
Juneau, Alaska 99801-1182

The Honorable Peggy Wilson
Chair, Transportation Committee
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Senator Egan, Representative Wilson, and members of the House and Senate Transportation Committees:

Recently you received a communication from a Haines resident that makes several allegations about the recent change to the Alaska Class Ferry (ACF). In order to facilitate a more thorough response to your constituent, I would like to share some additional factors for consideration.

The main three points that I would ask you to consider while evaluating her concerns are issues of public process, the need for a 350-foot ferry for Lynn Canal, and the associated costs.

The email from Senator Robin Taylor on January 11 was the first contact I have had with him since June of 2006. Senator Taylor has not offered advice to the change of the scope of the ferry nor was he consulted for advice.

Deputy Commissioner Reuben Yost has oversight of the Alaska Marine Highway System (AMHS) for the Department of Transportation and Public Facilities but, as described in my testimony at the January 17 Joint Transportation Committee meeting, I have eliminated the assignment of a transportation mode to describe the department's deputies. The department's three deputies and the commissioner will provide executive oversight for the department but will not be involved in the day-to-day management of a division or a system; that responsibility now rests at the director level. In the case of AMHS, that individual is Captain John Falvey and he will manage and have complete authority over the system from his Ketchikan office.

The ACF shuttles will be designed to handle the conditions in Lynn Canal, as well as other routes in Southeast Alaska. The vessel size will be based on the capacity needs of various routes. As I mentioned at the meeting last week, we are preparing a Design Concept Report that will address these and all other major aspects of the two-shuttle concept. While public involvement is important information for the

"Get Alaska Moving through service and infrastructure."

design process, the department needs to develop the vessel criteria using marine architects, based on marine engineering science, weather conditions, United States Coast Guard (USCG) regulations, masters input, etc. These parties are very well versed in regard to vessel length. These vessels will have the same or better sea keeping characteristics than the Motor Vessel (M/V) Taku, which rarely misses a scheduled sailing anywhere in the system.

Capital and operating costs concerns are never a "strawman" and particularly not given the state's current financial projections. The estimated cost of the previous Alaska Class Ferry far exceeded the funding available and that cost estimate was anticipated to grow even higher. Governor Parnell was very concerned with escalating costs and about a year ago warned the department to modify the vessel's design to bring it within budget or provide an alternative concept that would fulfill the vessel's intended mission. The department subsequently attempted to reduce costs by eliminating or modifying certain features but it was clear that even with significant modifications, the cost of this particular design could not be built for \$120 million.

As I testified, the original vessel concept in 2006 was to be a roll-on, roll-off with a bow door and would be operated as a day boat. Over a several year period the design morphed from that concept to a 350' vessel that can best be described as a class between an Aurora size and a mainliner (Malaspina, et.al.). The public involvement process was a factor in this morphing and it appears that budgetary constraints were not a significant factor as the scope of the vessel changed.

After determining that the 350' design could not be delivered within budget, the department next reviewed the needs for the system and concluded that the best course of action was to return to the original concept of constructing a roll-on, roll-off vessel. In 2006, the estimated cost to construct such a vessel was \$30 million. With inflation and other factors, we believe two of these vessels could be constructed within the \$120 million appropriated.

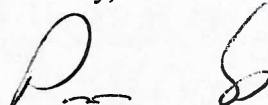
The Governor reviewed the information and made what I consider to be a very forthright decision by directing the Department to return to the concept envisioned in 2006. Fiscal considerations were, indeed, a significant factor for the Governor as well as his desire to have an Alaska ferry built in Alaska at a reasonable cost.

Returning the scope of this project to that originally envisioned, a day boat shuttle, will reduce capital costs and annual operating costs. A soon-to-be published Design Concept Report will provide a cost estimate for the ACF shuttles and the terminal modifications required. The ACFs will have an estimated useful life of approximately 60 years. Also, as explained, no funds were returned to the federal government in order to build the ACFs in Alaska. The federal funding originally programmed for the ACF were used for other Alaska transportation projects.

I have no idea what Ms. Menke is describing as fungible costs and the allegation that the department manipulates those estimates. The department always includes development and overhead costs in project estimates.

I trust this response will address many of the concerns that surround the change to the ACF concept. I look forward to providing additional information as it becomes available.

Sincerely,



Patrick J. Kemp, P.E.
Commissioner

**Cc: Senator Dennis Egan
Vice-Chair Senator Fred Dyson
Senator Click Bishop
Senator Anna Fairclough
Senator Hollis French
Representative Peggy Wilson
Representative Doug Isaacson
Representative Craig Johnson
Representative Eric Feige
Representative Bob Lynn
Representative Lynn Gattis
Representative Jonathan Kreiss-Tomkins**