



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Transportation and
Public Facilities

OFFICE OF THE COMMISSIONER
John MacKinnon, Commissioner

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March 13, 2019

The Honorable Shelley Hughes
Alaska State Senate
State Capitol Building, Rm 30
Juneau, Alaska 99801

Dear Senator Hughes:

Thank you for the opportunity to present on the Alaska Marine Highway System (AMHS) before the Senate Transportation Committee on March 7, 2019. In response to questions posed by committee members, I offer the following information:

How much excess Marine Highway Fund authority exists beyond what is needed to pay for the estimated cost of the Request for Proposals (RFP)?

AMHS does not expect to have excess Marine Highway Fund authority in FY2019. The cost of the consultant will be absorbed into the current budget by reducing other expenditures in the budget where possible.

Can the department estimate how much AMHS (and other State employees) staff time/expense has been or will be spent on the RFP?

This is undetermined at this time and depends on the consultant that is awarded the contract, however, AMHS staff time/expenses are expected to be minimal.

Has the Marine Transportation Advisory Board (MTAB) been part of this long-term planning effort?

MTAB's last meeting was on 12/18/18. There has not been an MTAB meeting subsequent to release of the Governor's amended budget on 2/13/19. By statute, board meetings may be called by the chair or by a majority of the members. Typically an AMHS official presents the proposed AMHS budget and related information including likely schedule changes at the next MTAB meeting after the budget is released. The department will update the Board at their next meeting and consider any recommendations they may make. Once the operating budget is approved, AMHS publishes a draft winter schedule for comment and presents it to MTAB for comment as well. The department has not received any MTAB comments regarding the schedule anticipated with the Governor's proposed budget, nor any proposals for alternate scenarios.

What would the State's liability be back to the federal government if the AMHS was no longer run as a public service system? Provide a description of the potential payback for assets to Federal Highway Administration (FHWA) and an example of what that would look like.

Please see the enclosed document titled, Calculation of State Responsibility When Disposing of FHWA, which includes a specific payback example using the M/V Taku. The department expects the calculation and process to be the same for future vessels.

"Keep Alaska Moving through service and infrastructure."

Provide a breakdown of personal vehicles vs commercial vehicles from our ridership data on slides 6 and 7 of the presentation.

Commercial vehicle traffic averages just under 5% of total vehicle traffic per annum.

How much is the State of Alaska paying for a person to travel on an AMHS ferry?

The cost to the State per passenger transported in the last three fiscal years was as follows: FY2016 - \$340.76, FY2017 - \$329.43, FY2018 - \$326.58. This is the system wide cost. Costs per passenger fluctuate greatly depending on the route and vessel. For example, the Lituya year-round, and the Bellingham vessel in the summer operate with revenues near, or above the costs to operate the vessel. This results in a net \$0.00 cost to the State per passenger transported. On the other hand, operating costs per passenger are much higher on routes to smaller communities where the passenger traffic is low and costs to run to those communities are high.

Under Scenario 1, can you provide the numbers behind your projections?

Scenario 1 operates seven vessels in the summer and four vessels in the winter. Compared to the Governor's 2/13 Budget, Scenario 1 focuses on routes with high traffic and high revenues. This scenario is projected to generate \$46,958.9 in revenues on \$40,883.9 of Unrestricted General Fund (UGF). The authority to spend the generated revenues allows more service to be provided. Scenario 2 adds more service to small communities where the fare box recovery rate is lower. Scenario 2 requires more UGF to offset the reduction in revenues generated.

How many years/how much money is into the 50-year lease of the Prince Rupert dock?

The Prince Rupert lease runs from March 2013 until February 2063, i.e. 50 years, so the department is 6 years into the lease. The lease was purchased with \$3.3M of federal funding.

Can you provide committee members with the total number of bidders on the RFP?

The department received one bid proposal, although we received inquiries from several firms. The bidder is qualified and the bid amount is within budget.

If you or your committee members have further questions, please feel free to contact Mike Lesmann at (907)465-4772.

Sincerely,



John MacKinnon
Commissioner

Enclosure

Cc: Suzanne Cunningham, Legislative Director, Office of the Governor
Mike Lesmann, Legislative Liaison, DOT&PF