

Alaska Marine Highway Reform

House Transportation Committee

February 20, 2020



ALASKA MARINE HIGHWAY SYSTEM



3,500 miles of marine transportation networking coastal Alaska to the state and international highway system

Alaska Ferry Transportation Act

The first Alaska Legislature approved the Alaska Ferry Transportation Act in 1959, authorizing the new Department of Public Works to acquire ferry terminals and regulate ferry operators. In 1960, Alaska voters statewide approved a bond proposition to invest in a marine highway system, with additional ferries and docking facilities.

Operations of the Alaska Marine Highway began in 1963 with four vessels. It has been a critical component of the state's transportation system ever since.



AMHS: A System in Crisis

- **Funding and schedule uncertainty**
 - State funding cut by 30% over five years
 - FY20 funding cut nearly 50% (\$43M)
 - Northern Economics model proposed additional 50% budget cut
 - No long-range plan in place

Late state budget delays fall-winter-spring ferry schedule

By Ed Schoenfeld, CoastAlaska - Juneau - July 26, 2017

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The ferry Malaspina is shown in drydock and the Columbia is tied up at the Ketchikan Shipyard in February 2012. Damage to the Columbia is delaying its return to service this fall and the Malaspina will help fill in. (Photo by Ed Schoenfeld/CoastAlaska News)

Alaskans have until the end of the month to tell the Marine Highway System what they think of its fall, winter and spring sailing plans.

AMHS: A System in Decline

- **Aging fleet**

- Kennicott - 1998
- Columbia - 1973
- Tustumena - 1964
- Matanuska – 1963

- **Fleet is sidelined**

Alaska ferry malfunction leaves passengers scrambling

Sunday, April 8th 2018, 7:06 pm AKDT by Liz Raines
Updated: Monday, April 9th 2018, 4:46 pm AKDT



The Alaska Marine Highway system is working to clear a backlog of passengers and vehicles trying to get to from Homer to Kodiak following an electrical problem on the Kennicott ferry in Kodiak Friday.

An Aging Fleet



Most fleets retire their ships at 30-35 years.

Statewide AMHS Reform Multi-Phase Project

- ✓ Mission, Goals, and Governance

Completed May 2017

- ✓ Strategic Operational and Business Plan

Completed November 2017

- ✓ Legislation

HB 412 introduced April 2018

HB 249 introduced February 2020

- ✓ Interim Measures Identified

Could be implemented now

- ✓ Fleet/Terminal Standardization, and
Continued Outreach



Phase 1

- Examined mission, goals, and governance
 - Statewide summit
 - Stakeholder interviews
 - Case studies of other ferry systems
 - Mission statement refinement
 - Analysis of alternative governance models
- Recommended further exploration of public corporation



Purpose

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



Phase 2

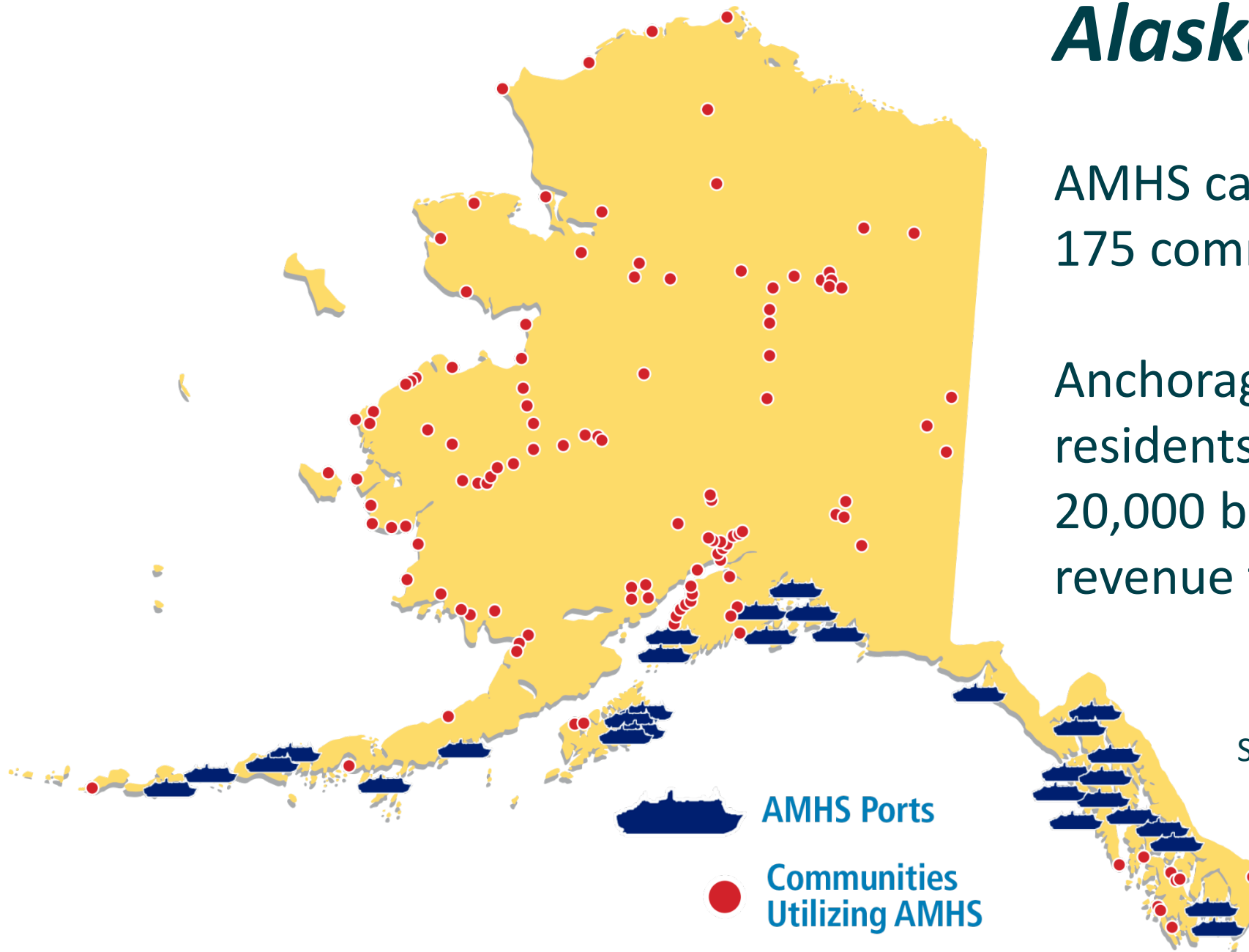
- Created long-term operating and business strategy
 - Revenue analysis
 - Operations analysis
 - Operations financial model
 - Structure and benefits of public corporation
 - Public and stakeholder engagement



Alaskan Ridership

AMHS carried residents from 175 communities

Anchorage and Mat-Su residents accounted for 20,000 bookings and 15% of revenue from Alaskans

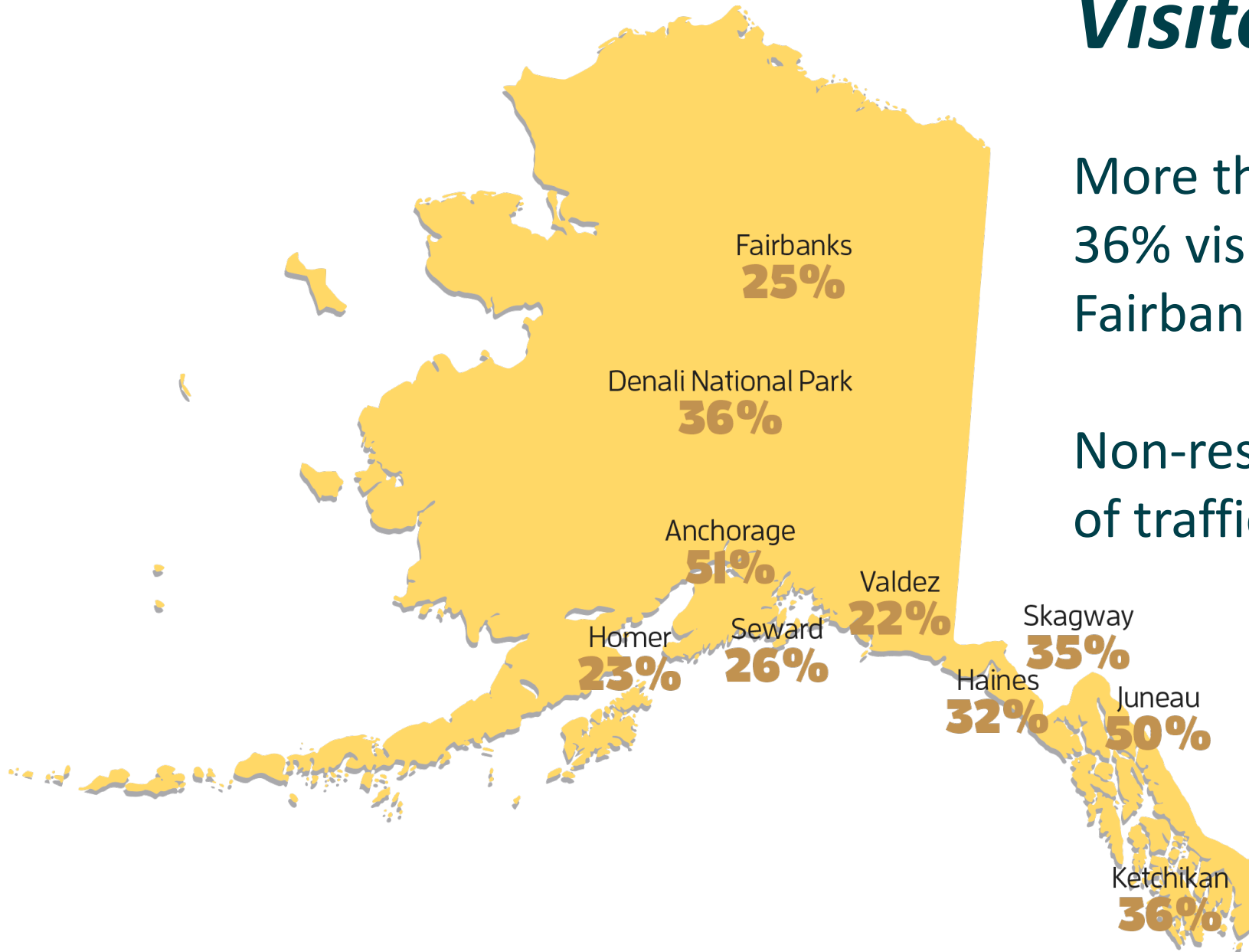


Source: AMHS data

Visitors and AMHS

More than half visit Anchorage, 36% visit Denali, and 25% visit Fairbanks

Non-residents account for 30% of traffic and 40% of revenues



Sources: AVSP 7, AMHS data

Public Corporation Analysis

- Maintains existing benefits
 - Inter-departmental coordination
 - Public purpose of system
 - Access to federal funding
- Addresses limitations
 - Frequent turnover in senior leadership
 - Indirect labor negotiations
 - Short-term planning horizon
- Additional benefits
 - Incorporate board expertise
 - Operate in business-like manner
 - Align labor and management interests
 - Reduce labor costs strategically

Additional Findings

- AMHS will always require public funds to provide safe and reliable transportation
 - Personnel and travel account for 69% of operating budget
 - Explore opportunities for revenue growth
 - Transition plan needed toward a modern and standardized fleet to achieve critical cost savings
- Use revenue and market analysis to guide actions



Interim Measures

Actions that can be taken now

- Work toward a sustainable, business-like organization
- Empower management to control costs, create new revenue streams
- Align with longer-term objectives

1: Stabilize Funding

- Increase revenues and align with seasonality
- Establish partnerships and non-operating revenue opportunities

2: Fleet and Terminal Standardization

- Financial and operational efficiencies

3: Robust Market and Revenue Analysis

- Allows AMHS to deploy resources effectively

Interim Measures cont.

4: Address Labor Relations

- Negotiate directly; reduce labor costs strategically

5: Board Development

- Phase 2 recommended 7-member board with needed business/transportation expertise AND 1 representative of union employees
- Seated as soon as possible to assure a smooth transition to the public corporation

Interim Measures cont.

6: Corporation Development

- Advance preparation needed for smooth transition

7: Employee Communications

- Improved, but further face-to-face meetings needed

8: Explore New Revenue Sources

- Non-operating revenues, partnerships, concessions, and shoreside potential

9: Maintain Public Support

- Continue project momentum

AMHS Plays Critical Role

- AMHS provides local employment and wages
- Makes purchases from wide variety of local businesses
- Brings visitors; enhances visitor experience
- Provides affordable transport of seafood
- Encourages local purchase of goods and services; lowers cost of living
- Ships time-sensitive equipment, materials, and perishable goods

AMHS Plays Critical Role

- Connects residents with jet service
- Provides essential access to health care services
- Plays critical role in special events: Gold Medal, Haines Fair, Celebration, Copper River Wild Salmon Festival, etc.
- Provides affordable school-related travel



Quotes

- *The ferry is threaded into everything we do...You book your whole life around the ferry schedule.*
- *We have been building our economy around the marine highway, especially the fast ferry, for over 10 years.*
- *This community will not survive without the ferry.*
- *If we lost ferry service our business would likely go bankrupt.*
- *If ferry services were limited, this would have a huge impact on our local workforce.*
- *If AMHS stopped service, the population would drop substantially.*
- *AMHS is absolutely critical to recruitment and retention of employees.*
- *The ferry is a critical part of our success or failure...This is our road system. It just happens to be on the water.*

Project Sponsors

Platinum Top Contributor: Ketchikan Gateway Borough

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- SouthWest Alaska Municipal Conference (SWAMC)
- Travel Juneau
- Wrangell Convention and Visitors Bureau

AMHS Reform Continues

- **Statewide Steering Committee**
 - Working to create more efficient, sustainable organization
- **Governor's Reshaping Working Group**
- **Legislation for Public Corporation**
 - Incorporate private sector expertise
 - Longer planning horizon and stability in key leadership positions
 - Align management and labor interests
 - Strategically reduce operating costs
 - Grow revenues and public-private partnerships
 - Preserve access to federal capital funds

Questions?



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