

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE TRANSPORTATION STANDING COMMITTEE
SENATE TRANSPORTATION STANDING COMMITTEE
January 17, 2013
1:03 p.m.**

MEMBERS PRESENT

HOUSE TRANSPORTATION

Representative Peggy Wilson, Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Doug Isaacson
Representative Bob Lynn
Representative Jonathan Kreiss-Tomkins

SENATE TRANSPORTATION

Senator Dennis Egan, Chair
Senator Fred Dyson, Vice Chair
Senator Anna Fairclough
Senator Click Bishop
Senator Hollis French

MEMBERS ABSENT

HOUSE TRANSPORTATION

Representative Craig Johnson

SENATE TRANSPORTATION

OTHER LEGISLATORS PRESENT

Representative Beth Kerttula

COMMITTEE CALENDAR

OVERVIEW DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

- HEARD

ALASKA MARINE HIGHWAY - NEW DIRECTION ON VESSEL ACQUISITION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

PATRICK KEMP, Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the Department of Transportation & Public Facilities (DOT&PF) and answered questions during the discussion of the changes to the Alaska Class Ferry (ACF).

CAPTAIN JOHN FALVEY, General Manager
Ketchikan Office
Marine Highway System
Department of Transportation & Public Facilities (DOT&PF)
Ketchikan, Alaska

POSITION STATEMENT: Answered during the discussion of the changes to the Alaska Class Ferry (ACF).

RUEBEN YOST, Deputy Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of the Alaska Class Ferry (ACF).

ACTION NARRATIVE

[1:03:58 PM](#)

CHAIR PEGGY WILSON called the joint meeting of the House and Senate Transportation Standing Committees to order at 1:03 p.m. Present at the call to order were Representatives Feige, Gattis, Kreiss-Tomkins, Lynn, Isaacson, and P. Wilson and Senators Dyson, Fairclough, Bishop, French, and Egan.

Overview Department of Transportation & Public Facilities

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CHAIR P. WILSON announced the first order of business would be an overview by the Department of Transportation & Public

Facilities (DOT&PF). She asked the commissioner to review the department's staff changes and discuss changes on the new ferry system, which has created interest. She noted public testimony will not be taken today, but will be taken in the future.

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PATRICK KEMP, Commissioner, Department of Transportation & Public Facilities (DOT&PF), introduced himself and provided a brief work history with the department, noting he began as a "rear chainman" on a land surveying crew. He retired in 2006, but came back to the DOT&PF in 2011 as a deputy commissioner.

COMMISSIONER KEMP offered to introduce his new management team shortly. He turned to a PowerPoint overview and briefly discussed slides, beginning with the statutory requirements [slides 2-3]. He said the DOT&PF is the entity that plans, designs, builds, and maintains transportation infrastructure for public highways, facilities, airports, ferry terminals. He characterized the department as having a strong contracting presence, with a capital budget approaching \$1 billion annually. He also said the DOT&PF is an expert at delivering federal aid programs, as well as other general fund programs.

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COMMISSIONER KEMP turned to the DOT&PF's mission [slide 4]. The DOT&PF's mission is to get Alaska moving through service and infrastructure. The DOT&PF works to provide safe and efficient movement of people and goods; access to state service; and to open opportunities for exploration and development. He said the "Roads to Resources" program is fully supported by the governor and the department works in partnership with the state DNR & Alaska Industrial Development and Export Authority (AIDEA) to accomplish transporting resources to tidewater. He recalled testimony last year, in terms of Canada's Yukon development, which is poised to "explode" in the mineral markets. The Yukon province has infrastructure plus access to tidewater in Skagway. He offered that Alaska has tremendous resources in Western Alaska and throughout the state. He said the DOT&PF is actively working on its "Roads to Resources (R2R)" program.

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COMMISSIONER KEMP discussed the DOT&PF's organization [slide 5]. He said in December 2012 he was appointed commissioner. He related he learned in 2011 that DOT&PF's deputy commissioners

had been assigned modes of transportation; however, when he left the department in 2006 deputy commissioners were part of the executive team whose role was to oversee the department and collaborate with the commissioner. He related the management structure changes to modal deputy commissioners meant a separate deputy commissioner was assigned to aviation, the Alaska Marine Highway System (AMHS), and highways. He offered his belief the modal system didn't function well since it created "silos" within the commissioner's office and the management structure hampered teamwork. He reported he prefers a management model similar to the way some other state agencies operate. He briefly touched on the deputy commissioner's specifications, including their management role in conjunction with the commissioner; however he emphasized day-to-day management would fall to the division directors within the regions. He offered his preference to employ a broad oversight approach for the department and he said he does not want [deputy commissioners] to micromanage the regions. He highlighted one controversy which has arisen was he did not confer with the Marine Transportation Advisory Board (MTAB) on his decision to change the deputy commissioner for the AMHS. He related his intent to have the AMHS's general manager, Captain John Falvey, run the marine highways with the commissioner's office providing broad oversight.

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COMMISSIONER KEMP introduced his three deputy commissioners: Kim Rice, deputy commissioner, Program Development, Statewide Maintenance and Operations (M&O), [Statewide Equipment fleet, and Statewide Facilities]. She has been with the department for over 30 years. He identified Steve Hatter as deputy commissioner for Statewide Aviation, including rural airport oversight, as well as the Alaska International Airport System; Rueben Yost, deputy commissioner of divisions including Alaska Marine Highway System (AMHS), Measurement Standards and Commercial Vehicle Enforcement, and a new system "Engineering Automation." He said the engineering automation function is an important function since it ties the department to geographic information system (GIS) and other computer information technology. He characterized the engineering automation function as important since it could assist the department with the federal highway management system.

[1:15:08 PM](#)

COMMISSIONER KEMP introduced the DOT&PF's regional directors: Steve Titus, Northern Region; Rob Campbell, Central Region; and Al Clough, Southeast Region. He noted that the Administrative Services director, Mary Siroky, reports directly to him, as well as Connie McKenzie, legislative liaison. He identified systems directors, including: Jeff Ottesen, Program Development; Roger Healy, chief engineer, Statewide Design & Engineering Services; Dan Smith, Measurement Standards & Commercial Vehicle Enforcement; and Murray Walsh, Roads to Resources (R2R) manager serving as special assistant to the commissioner.

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CHAIR P. WILSON understood Captain John Falvey "heads up" the AMHS. She asked whether Commissioner Kemp had consulted with Marine Transportation Advisory Board (MTAB) prior to assigning a director [or a deputy commissioner] over the Alaska Marine Highway System (AMHS) since there is a statutory requirement to do so.

COMMISSIONER KEMP acknowledged he was aware of the statutory requirement. He responded that he sent a letter to MTAB to explain a deputy commissioner was no longer [solely] assigned to the AMHS. He clarified that all of DOT&PF's deputy commissioners would have knowledge of the AMHS, with one commissioner having a broader knowledge base of the system. He reiterated his intention is to have DOT&PF's directors manage division operations, which ultimately would provide a better structure for the department.

CHAIR P. WILSON understood the importance of communication and the necessity of avoiding isolating "silos" in the commissioner's office. She referred to a legal opinion in members' packets from Hilary Martin, legislative counsel, legislative Legal Services, [dated January 16, 2013]. The legal opinion points out the intent of AS 19.65.180 (a), which is that the MTAB should have been consulted on this important decision [with respect to assigning a new deputy commissioner, Mr. Yost to oversee the AMHS]. She said the statutory intent is to allow public input in the selection of a manager of the AMHS. Further, the attorney general agrees with the statutory intent, she said. While she understood the commissioner's management decisions, she again pointed out the legislature passed the statute to allow the public input into the AMHS via the MTAB. Since the AMHS has improved during the MTAB's tenure, she expressed her hope that the department would continue to seek counsel from MTAB, which is what the law intended. She said she

wanted to make certain everyone is aware of the [statutory requirement].

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SENATOR EGAN interjected coastal communities previously provided input via the Alaska Regional Development Organization (ARDORS), Southwest Alaska Municipal Conference (SWAMC), and the Southeast Conference. He wanted to make certain the commissioner would listen to the coastal communities served by the AMHS, would provide input to MTAB, and would meet with the MTAB to determine the direction of the marine highway system.

COMMISSIONER KEMP answered "absolutely." He said there would not be any change to that makeup. He offered his belief that MTAB would [ultimately] be happier with the new structure. Further, Captain Falvey and his experts can also attend MTAB meetings and thus, the AMHS would have greater exposure and transparency. While he did not wish to further discuss the details of department management's prior level of functioning, he said he thought the problems were resolved. He assured members that the department would continue to coordinate with MTAB and would also consult with MTAB on the general manager's position; however, he expressed his intention to take the deputy commissioners to a new level. He said he wants his department operate collaboratively, similar to the way other state departments, such as the Department of Natural Resources (DNR), Department of Administration (DOA), and the Department of Law (DOL) operate. He understood [the committee] has concerns that he is not following the statutes; however, he advised members he had consulted with the DOT&PF's attorneys and "felt he was on good ground and wanted to make the selection." He acknowledged he had not read the legislative counsel's opinion; however, the DOT&PF's attorneys will review it and report back to him. In response to comment, he advised that the DOT&PF's attorney already has a copy of the legislative counsel's memo [of January 16, 2013].

CHAIR P. WILSON reiterated her concern, but said she feels comfortable with the commissioner's comments, noting "the proof is in the pudding" so she would continue to monitor the situation.

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COMMISSIONER KEMP turned to DOT&PF's assets and FY 14 operating budget [slide 6-7]. He related the DOT&PF has 3,186 staff, owns

and maintains 5,601 miles of roads, 84 maintenance stations, 256 airports, 7 weigh stations, 11 ferries and 35 ferry terminals. The operating budget is approximately \$635 million. He said the capital budget is approximately \$1 billion, with over \$3-5 billion in capital projects, although the figure is difficult to arrive at since it constantly changes. He reported he is taking "a stab" at the total transportation needs for infrastructure - at approximately \$20 billion - which includes road construction and maintenance.

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SENATOR FRENCH asked for clarification on the several billion under development in capital projects - whether the projects are ones funded by the legislature but are ones not yet completed.

COMMISSIONER KEMP answered the DOT&PF frequently develops a project, but does not ask for construction spending authority until the department is ready to proceed. In further response, Commissioner Kemp agreed the projects were not funded but it represents the potential project.

SENATOR FRENCH understood the commissioner was referring to projects nearing funding, but not yet submitted to the governor.

COMMISSIONER KEMP agreed.

COMMISSIONER KEMP turned to most immediate challenges [slide 10], identifying "Moving Ahead for Progress in the 21st Century (MAP-21) - Transforming the Way We Build, Maintain, and Manage Our Nation's Highways" as the most challenging for the department. He said the DOT&PF will need the legislature's help fill in the gap for local community projects that were [previously] in the State Transportation Improvement Program (STIP) but are missing; otherwise the DOT&PF must completely give up on some projects. The federal highway MAP-21 removed funding from local community roads and redirected it to the National Highway Systems (NHS), such as the Seward Highway, the Parks Highway, Dalton Highway, Alaska Highway, and ferries in Alaska - which comprise Alaska's main arteries and corridors. He said projects most hurt are roads such as the old Glenn Highway and the Douglas Highway. He was uncertain of total, but estimated it at approximately \$200-400 million.

[1:28:10 PM](#)

COMMISSIONER KEMP, in response to Chair Wilson's comments that MAP-21 would be discussed at a subsequent hearing, continued his presentation. He turned to the DOT&PF's information sources [slide 11].

SENATOR DYSON noted one slide in members' packets on ACF's change in direction, which references a fall 2011, University of Fairbanks (UAF) study that was published. Additionally, he recalled that former Representative Taylor had prepared a plan and the immediate past AMHS director also had developed plans for system efficiencies. He expressed an interest in obtaining a copy of these reports.

COMMISSIONER KEMP related the UAF study is on the DOT&PF's website, but he was unsure about other studies although he was aware of them.

[1:29:42 PM](#)

SENATOR EGAN asked Commissioner Kemp to address drastic changes to Shaktak funding [highway construction funding accord between the U.S. and Canada]. He offered his belief the funding changes could seriously affect the transportation system as it transits Canada.

COMMISSIONER KEMP related that Mr. Ottesen, Director, Program Development would brief [the committee] on this in detail later; however, he estimated that Alaska lost \$70-100 million annual Shaktak funding, whereas Canada completely lost its Shaktak funding. He pointed out the Federal Highway Administration (FHWA) MAP-21 is a two-year bill so he hoped that some problems could still be addressed. He related Alaska is unique in that it is the only state separated by a foreign country between regions of the state so it seems reasonable the federal government should help fund the corridor.

SENATOR EGAN, in response to a comment, agreed the late U.S. Senator Ted Stevens and former U.S. Senator Mike Gravel were instrumental in securing Shaktak funding, which has improved the highway system to Beaver Creek.

CHAIR P. WILSON, in response to a question on aviation, asked Senator Egan to hold his question on municipal and state-owned airports until next week when the committee would discuss aviation.

Alaska Marine Highway - new direction on Vessel Acquisition from the Alaska Class Ferry

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CHAIR P. WILSON announced that the final order of business would be to discuss the Alaska Marine Highway System's new direction on Vessel Acquisition from the Alaska Class Ferry (ACF).

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COMMISSIONER KEMP referred to a white paper in members' packets, titled "Alaska Class Ferry: Project Overview and Change in Direction." He offered to provide the background information on the Alaska Class Ferry (ACF). The project began in 2005-2006, at a time in which the department had concluded a shuttle ferry system would provide better service, increased capacity, additional flexibility, and more ridership opportunities at a lower cost, in some cases. The key to a shuttle ferry system is a 12-hour day, he said. He pointed to the success of the private Inter-Island Ferry Authority (IFA) on the Prince of Wales Island, which provides a reliable shuttle ferry system. Additionally, the AMHS's M/V Lituya operates between Metlakatla and Ketchikan and the AMHS's fast ferries provide fast passenger service. To some extent, these vessels represent the future to replace Alaska's mainline ferries, he said. He offered his belief that in some instances it is far more cost effective to replace a mainline ferry with a roll-on, roll-off (RORO) ferry.

COMMISSIONER KEMP said in 2006, the DOT&PF developed a Request for Proposal (RFP) to develop a RORO ferry, noting a copy [of the federal-aid "Project Agreement and Approval/Authorization," signed 5/19/2006 by the U.S. Department of Transportation] in members' packets. The RFP's criteria was for a RORO passenger ferry with an overall length 255-305 feet, a passenger capacity of 450, vehicle capacity of 48-60, and bow-loading capacity. He emphasized the importance of the bow-loading function for a true RORO service since it allows vehicles to quickly be loaded and unloaded.

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CHAIR P. WILSON referred to the Alaska Class Ferry's (ACF) history in members' packets.

COMMISSIONER KEMP continued. He said the DOT&PF procured and selected a firm based on the RORO concept. He said, "Somehow, over the next few years the project changed. The bow door was gone. The staterooms were added to the vessel. It was becoming a much more costly vessel. Instead of a crew of 5-10, we were looking at a crew of pushing 20-25." As Captain Falvey has said, in determining crew for vessels the AMHS uses a formula and multiplier of 2.3 to determine the total number of people required to run a vessel for a 24-hour operation - also taking into account factors such as shift changes. He emphasized the DOT&PF wanted to partially move from a mainline ferry to a different model - to faster ferries. However, the ferry project had "morphed" into a second-class AMHS vessel, or "Aurora Class" vessel. He outlined the "morphed" changes, which did not meet the department's intent, including that the vessel had increased to 350 feet, contained crew staterooms, but not passenger staterooms.

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SENATOR FRENCH asked Commissioner Kemp to elaborate on the decision-making process to better understand how the change occurred.

COMMISSIONER KEMP suggested [the vessel changes] could mainly be attributed to public involvement. The department, through its public process, found users wanted more amenities, although some changes occurred internally. He noted not all personnel agree with the concept of fast ferries. He said he was unsure exactly how it happened. He characterized the changed project as similar to DOT&PF's plans to fix pavement on a 20-mile road, but the public indicates they want sidewalks, luminaries, four lanes. Thus, the project encounters "project scope creep." He acknowledged some people wonder how the department moved so quickly from an Alaska Class Ferry (ACF) to a shuttle ferry system without public involvement. He answered by stating his primary concern has been that the project changed from a RORO shuttle ferry to one that became almost a mainline vessel without staterooms. He further understood an arbitrary decision was made to add 50 feet to the vessel. He reiterated he was unsure how it had happened.

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CAPTAIN JOHN FALVEY, General Manager, Ketchikan Office, Marine Highway System, Department of Transportation & Public Facilities (DOT&PF), said he has been the general manager of the AMHS for

nine years. He agreed the ACF project started - as Commissioner Kemp mentioned - as a shuttle ferry concept, but as time lapsed the DOT&PF decided to hold an aggressive public process. The DOT&PF crisscrossed the state holding public meetings and taking comment, including web-based comment. In response to a question, Captain Falvey said it was in 2008-2010. He said the DOT&PF had an aggressive internal steering committee comprised of shoreside and vessel employees. He further recalled deputy commissioners tried to incorporate changes to the ACF project based on public comment. He agreed that the project "morphed" and slowly got more costly than the initial \$120 million projected cost.

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SENATOR FRENCH suggested an enormous amount of documentation must be available spanning the three-year process that would show the changes from the RORO ferry to a larger vessel. He suggested some documentation would help [the committee] understand the process the department used, in particular, given the immense public interest in the project. "That's my request," he said.

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REPRESENTATIVE ISAACSON, as former mayor of North Pole, said he heard from other mayors and interested parties who commended the DOT&PF's process, but also expressed frustration at the DOT&PF's unilateral decision [to make the change from the ACF]. The mayors and communities did not realize the project had increased to two ferries or that specifications changed, such as to a bow-loading vessel. Further, the mayors and parties questioned whether the vessels would be seaworthy. From his initial perspective, it seemed the communities would gain two additional ports of call and two ferries, he also said. He asked what public process was used to increase the ACF project to two vessels and whether the passenger concerns on the sea worthiness of the vessels [was valid].

COMMISSIONER KEMP answered that there wasn't any public involvement to make the change back to a shuttle ferry. He said the decision was a management decision; however, the governor was fully engaged in [the decision-making] process. He suggested members allow him to continue his testimony since he would more fully describe how the decision was made.

[1:45:36 PM](#)

SENATOR EGAN, asking to follow-up on Representative Isaacson's question, understood the project "morphed" over the years, but in a few hours the ACF project had "morphed" again without any community input or any input from the MTAB. He asked the reason the MTAB, with statutory authority, was not consulted on the administration's decision to change to the current [shuttle ferry] design without any public input.

COMMISSIONER KEMP reiterated he hoped his explanation would become clear as he continued his testimony.

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SENATOR DYSON asked whether anything in the bargaining unit agreements would work against reducing crew size and hours.

CAPTAIN FALVEY answered no. He offered his belief [no opposition] had come from the bargaining unit. He explained the crew level is controlled by the United States Coast Guard (USCG) and relates to how safely ships can be evacuated. He referred to certificates of inspections and crewing levels as being determined by the USCG.

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SENATOR DYSON assumed significant savings were acquired by going to a 12-hour or less crew and was also related to crew quarters.

CAPTAIN FALVEY answered that the AMHS operates a large cross section of vessels, such as the motor vessel (M/V) Columbia, which operates with a crew of 60 during the summer, while the M/V Lituya operates with only 5-6 crew. Thus, crew levels depend on specific boat and route. He acknowledged [in some instances] the total crew could also depend on union contracts. For example, it might require two crews to run two smaller vessels operating in Lynn Canal during the summer, whereas in the winter one crew might operate only one vessel on a different schedule. He added that crew levels also vary depending on season and the schedule.

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CHAIR P. WILSON asked the commissioner to keep track of the questions members have asked. She expressed concern that some passengers [may experience travel interruptions]. She said passengers traveling on the Lynn Canal or Prince of Wales routes

could embark on bigger vessels, but it would create problems for ridership in Southeast Alaska if a mainline ferry did not stop in Wrangell. She detailed that these passengers must take a short ferry to Petersburg, ride a bus for 30 miles, and then take another short ferry [to reach their destination]. She pointed out if connections didn't mesh these passengers would need to spend the night.

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SENATOR FAIRCLOUGH asked to recast the setting. She said this state is facing a revenue shortfall and as the governor and the administration is reviewing capital or operating investments the state must look at what it can afford. If the public is not informed about a spending cap they may want additional amenities such as adding staterooms. She said the state would soon be at a point in making decisions between what is "needed" or "wanted" and she hoped the audience would understand that Alaska's oil production has been declining, revenue is declining, and operating expenses are increasing. She indicated the state would need to pencil out the "math" to have a healthy economy.

COMMISSIONER KEMP said in August 2012, when he was appointed as acting commissioner, Governor Parnell asked him to look at the costs for the ACF. Although he had been working in the commissioner's office [at the time the project was moving forward] he was not aware of the vessel concept or that the ACF project was over budget. He recalled a [legislative] hearing in February 2012 in which the department stated the cost of the vessel would exceed \$120 million. The governor specifically wanted [the department] to reduce the cost to bring the project under schedule; and in response, Captain Falvey attempted to so, including [downsizing the project] by removing the "ride control" and other amenities, he added.

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CAPTAIN FALVEY, in response to a question, related that as the project got "deeper into functional design," the department worked to reduce the actual vessel construction costs. He explained that numerous costs comprise the \$120 million estimate, not just the shipyard costs to build the ship. In an effort to curb costs, the department reduced the fin stabilization system, which keeps the boat from rolling, removed an elevator, and reduced galley components, including the cafeteria. As the DOT&PF reviewed the functional design - which is at 40 percent and is not lost - the department realized that

the ship could not be built for the \$120 million budgeted. In response to a question, he explained that "ride control" is the same as "fins," which hydraulically fold out, similar to wings on an airplane, to control vessel roll. He said the fins do not control pitch - the up and down motion - but control the roll, which contributes to seasickness.

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COMMISSIONER KEMP continued. He related the DOT&PF heard rumors from the shipyard the cost would exceed \$120 million. In response to a question, the commissioner explained that he legislature decided some time ago some administrative costs should be charged to capital projects. He said the overhead rates vary based on the type of project, from facilities at two percent to highways at five percent. Additionally, administrative add-on costs for preliminary engineering (PE) include design and construction engineering (CE), which is also assessed for each project. He estimated the PE overhead at \$7-8 million and CE overhead at \$6 million for the ACF project. In response to a question, he agreed the total would be \$14 million in [PE and CE] administrative costs.

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COMMISSIONER KEMP continued. He said the DOT&PF wrote a letter to the shipyard requesting cost information. The shipyard responded it did not have total cost information, but had only repeated rumors it was hearing from the "industry." The department subsequently asked for and obtained two independent cost estimates - from the Ketchikan shipyard and the consultant - which came in with a project estimate between \$150-170 million, substantially over the \$120 million funding. In response to a question, Commissioner Kemp clarified the total figures included the DOT&PF's administrative costs.

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CHAIR P. WILSON acknowledged it would be pretty hard to calculate a project's overall cost when the ACF project was only at the 40 percent design phase.

COMMISSIONER KEMP agreed. He said the DOT&PF concluded the costs could not be reduced [on the ACF project]. He reported to the governor the budgetary cost overrun estimates and at that point the department began to seek other alternatives. At this point, he said he discovered the original procurement was for a

RORO shuttle ferry concept. The governor's office recalled a project on the shelf would work in Southeast Alaska; however, the DOT&PF was unable to produce one. The DOT&PF subsequently hired a consultant, who was also unsuccessful in finding [a suitable substitute]. However, the consultant was familiar with and understood the shuttle ferry concept and [developed] preliminary figures for the concept. In 2006, the estimated cost of one shuttle ferry was \$30 million, he recalled. The governor supported the concept change from the ACF [to two shuttle ferries] since it was quite clear shuttle ferries could deliver more vehicles and provide more capacity with lower capital and operating costs.

[2:02:59 PM](#)

REPRESENTATIVE ISAACSON asked for clarification on the type of shuttle ferry estimated at \$30 million and whether the design is comparable to Washington state ferries or if the vessel would have a deeper hull design.

COMMISSIONER KEMP answered no, a ferry such as the Washington state ferries won't work in Alaska; instead, the design concept would be for a heavy seas vessel, approximately 280 feet in length, which is somewhat longer than the M/V LeConte.

SENATOR DYSON clarified what Commissioner Kemp is referring to is a vessel that with doors that open sideways. Additionally, the vessel would also have doors on the stern. He characterized this type of vessel as quite seaworthy. He asked for clarification on whether the proposed shuttle ferries would have a side-loading feature.

COMMISSIONER KEMP agreed the ferries would have a side-loading feature. He said the Juneau to Haines route is the most challenging run, in terms of time, and the RORO design helps [reduce loading and unloading time].

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REPRESENTATIVE KREISS-TOMKINS asked which ports in Southeast Alaska can accommodate a RORO design.

CAPTAIN FALVEY answered that the DOT&PF could use the fast shuttle ferries in Juneau and could use the vessels in Haines with some modifications necessary.

REPRESENTATIVE KREISS-TOMKINS asked for the approximate cost of re-rigging a ferry terminal to accommodate a RORO vessel.

RUEBEN YOST, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), answered that the re-rigging cost would be approximately \$15-20 million [per facility], although the department has not specifically looked at detailed designs to do so. He reported that the DOT&PF does not currently have a design for the [shuttle ferry]. He clarified the current status of the [ACF] project, noting the DOT&PF has announced a change to the design concept. The design team has been suspended and the DOT&PF is working on a design-concept, which would be shared with the MTAB and the public prior to the actual design work, he advised.

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MR. YOST, in response to Senator French's earlier question on the DOT&PF's decision to change ship size, answered that when the department looked at a class of ship instead of a single shuttle, the mission also grew in terms of places the ferry could serve. For example, in addition to Ketchikan and Prince Rupert, the ferry could serve other runs, including the Prince William Sound run. Other components were added to the vessel to make the vessel able to handle any one of the routes, which also made the vessel more expensive. Further, building a steel ship requires considering operational costs that must span the "50-60 year" vessel life. Thus, the department "backtracked" to consider one or two vessels that could work in a more restricted number of locations, but would also result in operational and construction cost savings.

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REPRESENTATIVE ISAACSON recalled that the ACF was scheduled to be built this year, yet the changes only put the project six months behind schedule.

COMMISSIONER KEMP said he was unsure of the timeline.

CAPTAIN FALVEY said that the DOT&PF had planned to award a construction management general contract (CMGC) for the 350-foot ACF in July. Currently, the DOT&PF hopes to deliver the new design by November, which will be a few months behind schedule. He pointed out a smaller ship is less complex to design, but the department has a concept [for the design]. He emphasized the RORO configuration as being more of an "ocean hull" design. The

mainline vessels have forward side doors and require "sponsons" that run the length of the ship forward and aft in order to accommodate the side doors. He explained this mechanism creates a tremendous pounding [when the vessel is underway]. He pointed out the AMHS's M/V Kennicott, M/V Tustemena, and M/V Lituya vessels do not have "sponsons" but aft side doors. He characterized this as one advantage of the "ocean hull" form under consideration. The concept consists of a 275 to 278-foot hull form that could carry approximately 55 cars, without "sponsons," similar to vessels used in offshore construction. The proposed hull design is used in vessels that run in heavy seaways. The concept includes a knight head's bow with side doors at the back of the vessel, which would function well in Lynn Canal, he said. He reported that ships get bigger exponentially. He said the M/V Aurora and M/V LeConte are 235 feet in length but reported that a 275-foot vessel increases exponentially in its physical size. The DOT&PF is confident with the proposed hull form, which he anticipated would perform as well as the 350-foot M/V Taku, if not better, he said.

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REPRESENTATIVE ISAACSON inquired as to whether the delay from July to November would include the public process and if the project would be built in a shipyard in Alaska.

CAPTAIN FALVEY responded that the DOT&PF would continue to use the construction management general contracting (CMGC) method of procurement. He explained that under the CMGC, the shipyard is consulted at an early design stage, as happened with the ACF process. He said the CMGC method allows the state, naval architects, and the shipyard to work together which eliminates risk, he said. He related that each shipyard has different capacities and the CMGC process allows the shipyard's strengths to be incorporated into the design process. He anticipated the CMGC method will be used for the vessels, which also includes a guaranteed maximum price from the shipyard. Under the contract, the state would then have the option, in conjunction with naval architects, to compare estimates and [have the ship built] outside Alaska if the price is deemed unacceptable.

COMMISSIONER KEMP said the legislature passed a law to allow the department contracting ability to use a shipyard in Alaska - noting the only shipyards in Alaska are located in Ketchikan and Seward. He reiterated the CMGC process, as Captain Falvey described, noting the DOT&PF would negotiate the best price with the shipyard. The DOT&PF has successfully used the CMGC process

for fish hatcheries in Anchorage and Fairbanks and is using the process for the State Library Archives Museum (SLAM) project, which is currently underway. He assured members that the state would negotiate the best price and does have the ability to contract with shipyards in the Lower 48, if necessary.

COMMISSIONER KEMP, referring to the design time slippage, said the DOT&PF anticipates the new vessels would be built faster and would meet the ACF's timeline for completion.

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SENATOR EGAN acknowledged ferries expand the AMHS. He recalled the state lengthened the mainline ferries [when they were built]. He further recalled in 1961, his mother christened the M/V Malaspina, which was subsequently commissioned in 1963. The M/V Malaspina is 50-years old and was built to operate in hostile weather conditions, not for the calm seas the Washington ferries traverse, he said. He further recalled testimony last year before the legislative Transportation and Finance committees, with respect to funding, such that the ACF's purpose was to reduce stress on the mainliners and allow ships like the M/V Malaspina to be deployed to less hostile areas. He reiterated the water conditions in Washington are vastly different than the ones on the Lynn Canal ferry run. He offered his belief the M/V LeConte has already had four or five cancellations thus far this year.

CAPTAIN FALVEY confirmed the M/V LeConte has had four cancellations in the past year or so.

SENATOR EGAN expressed further concern [over changes to the ACF project] since the original plan was to redeploy a mainliner to less hostile sea conditions [by building the ACF]. Additionally, the seaworthiness of 50-year old vessels is at risk, he noted. While he said he appreciated the work the AMHS and DOT&PF has taken to keep the vessels operating, the aging fleet raises his concern that the fleet cannot be redeployed, if necessary, [with the changes from the ACF to two shuttle ferries]. He said his constituents are also concerned about a potential "open deck" concept, which he characterized as "a formula for failure."

COMMISSIONER KEMP said the DOT&PF is currently at the conceptual design phase for this project. He anticipated the design concept report should be completed in one to two weeks, noting the draft has just been reviewed. He then said:

I think you're going to be pleasantly surprised with what we come up with. I think you're going to find vessels as every good as the Taku for sea keeping characteristics. I think you're going to find -- we're going to see an increase in capacity, an increase in flexibility, an increase in redundancy. If one of these vessels goes down, you still have another one. If the [M/V] LeConte goes down it's down. There's no redundancy. I think; I think if we're patient and we look at the design concept report and we open it up for public involvement and we let the people know what we're doing - I think we'll be fine. I think -- just a couple weeks - just give it some time.

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REPRESENTATIVE FEIGE, speaking as a pilot, said he assumes the department knows the passenger ridership and has reviewed load factors. He acknowledged the ferry system was not designed to generate revenue, but asked whether the department has considered ways to minimize the per mile highway cost so the result is an annual loss that is not too exorbitant.

COMMISSIONER KEMP agreed. He acknowledged Representative Feige has identified the department's specific mission. He said Captain Falvey and his staff work "24-7" to make the AMHS system run smoothly and in a cost efficient manner.

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REPRESENTATIVE FEIGE discussed loading and offloading designs, noting bow or stern loading as being the most efficient method. He acknowledged side loading is not the most efficient loading method. He asked whether it would be more effective to standardize dock design docks to avoid having to build multiple features into the vessels.

COMMISSIONER KEMP offered his belief the department would always need side doors for the mainliner ferries. He acknowledged one capital improvement concept in Haines would be necessary to allow for a bow egress; however he said that specific project has been "on the books" for quite some time. He recalled that the preliminary design was a federal-aid project necessary to accommodate the fast ferries in Haines due to specific differences in the dock design. He explained the fast ferries

have a big ramp to the car deck, which necessitated the DOT&PF to modify the ship design to match the ferry terminals. This proved cost effective rather than for the DOT&PF to revamp the ferry terminal dock design. He concluded the AMHS and DOT&PF have been "doing fine" with vessel and ferry offloading design costs.

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CHAIR P. WILSON also acknowledged the aging fleet would require numerous replacement vessels. She understood the dock design as being more costly; however, she wondered whether it would be cost effective over time to change the dock design.

COMMISSIONER KEMP responded that the ferry terminals are multi-use terminals.

CAPTAIN FALVEY interjected that the AMHS owns 20 of the 35 ferry terminals in Alaska. The remaining dock ownership ranges from ownership by seafood plants to cities and communities. Further, the AMHS has multiple classes of ferries, including mainline vessels, the "Aurora class," and shuttle ferries that serve the 3,500 mile system. Thus, the AMHS has little control over total expenditures; however, the AMHS has maintained consistency with mainliner costs and has standardized its vessels, he said. Still, difficulties arise in containing costs due to the logistics, he added.

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REPRESENTATIVE GATTIS, speaking as someone from Southcentral Alaska, related her understanding the ACF project budget was initially \$120 million, but it "morphed" into something else. She asked for clarification on what happened to the funding. She asked what would keep the "\$30 million ferries from morphing and morphing." She acknowledged that the department's commissioners have changed, but other personnel remains the same.

COMMISSIONER KEMP answered that \$116 to \$117 million of the \$120 million appropriation remains. The department moved quickly [in changing the project scope], in part, due to the \$20,000-30,000 per day costs for the ACF. He answered, with respect to the question of "the morphing of new shuttle ferries," that the department anticipates instituting controls, noting the DOT&PF has also hired a consultant to help with the concept. He acknowledged the change represents a shift in management, but

suggested the design concept report should be collectively reviewed. He offered his belief the DOT&PF is "on the right track." As previously mentioned, the governor was very concerned about the cost estimate [overage] for the ACF project. The DOT&PF considered "dipping into" the vessel replacement fund to make up the estimated \$50 million shortfall; however, to do so would affect replacement costs for the M/V Tustemena, he said. He emphasized that every dollar counts and budgetary controls are required on all vessel projects. He reiterated the governor was determined to keep the ACF on budget. He offered that the estimated \$30 million per ferry "is long gone"; however, the department thinks it can purchase two ferries with the remaining funds available.

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REPRESENTATIVE KREISS-TOMKINS recalled the consultant researched the RORO design. He asked for the consultant's name and a copy of the report, if available.

COMMISSIONER KEMP answered that the engineering firm was Coastwise [Corporation] from Anchorage. He said the ACF's designer - who will be retained - is the Elliott Bay [Design Group] in Seattle. He stated the DOT&PF has two experts as well as its own experts.

REPRESENTATIVE KREISS-TOMKINS asked whether the \$15-18 million to modify a ferry terminal creates independency or if inter-operability exists between the different classes of vessels. He further asked whether a RORO designed ferry would eliminate mainline ferries operating in Lynn Canal.

MR. YOST answered the proposed modification would still allow mainliners to still operate the Juneau to Haines run, in fact, the AMHS would not change its current operation, including operating two weekly mainline runs in the summer and one in the winter. He explained the change would mean two shuttles would cover the current M/V Malaspina's daily operation from Juneau to Haines and Skagway, and the return run. He said this modification is being done to specifically allow for continued use of side-loading mainline vessels in Haines.

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SENATOR BISHOP offered his support for the direction the commissioner's management decision. He said the "right hand has to know what the left hand is doing and this "mission creep"

might not have occurred if the "right hand knew what the left hand was doing." He pointed out not all of the design performed on the ACF project is lost. He related his understanding that the matrix is not complete since the department is still assembling the shuttle ferry's design. He asked for an opportunity to review the design matrix for the proposed ship since he is interested in the propulsion, long-range alternative fuels for cost savings, and whether the ship is expandable in terms of fuel.

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COMMISSIONER KEMP continued with his discussion on funding and the proposed project timeline. He characterized the experience of discovering the estimated ACF's cost overrun as "a real pickle." He elaborated that [at the time of discovery], the department had just signed a contract with the shipyard to begin design elements, "tank tests" were being conducted in Norway, and a host of things would soon accelerate spending [for the project]. He explained that the department met with MTAB, but was necessarily "moot" on the subject [on the ACF changes] while options were being evaluated. "As I said, the governor was steadfast. He did not want to exceed that amount. He values the ferry system but he knows there is a better way of doing business," he said. He described the steps taken, noting the DOT&PF made an announcement in Ketchikan, suspended its contract with Elliott Bay [Design Group], and moved forward with a preliminary design concept report. He said the vessel size [under consideration for the two shuttle ferries] is approximately 280 feet and that the cost is "okay." He reiterated his belief that people will like [the changes]. While he was unsure exactly when the report would be finished, he anticipated it should be forthcoming in a couple of weeks and will be "the guiding light" for the Elliott Bay Design Group. He reiterated [with the project changes] the AMHS would increase its [fleet] capacity and flexibility, provide redundancy, increase opportunities for travel, reduce costs, and ultimately create 15-25 permanent jobs in Haines.

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REPRESENTATIVE KREISS-TOMKINS asked whether a cost estimate would be available upon design concept completion.

COMMISSIONER KEMP answered that a preliminary design would be available, but the cost of any project "becomes clearer as it goes on." In further response to a question, Commissioner Kemp

answered yes, some type of preliminary costs would be available once the design concept is completed.

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REPRESENTATIVE KREISS-TOMKINS, in reference to operating costs, asked for cost comparisons of the two shuttle-class ferries versus operating a single mainline ferry in Lynn Canal. He asked whether the assumption is that it would be cheaper to operate two smaller shuttle ferries than it would be to operate a mainline ferry to and from Juneau and Haines.

MR. YOST clarified the AMHS does not plan to run two shuttles roundtrip from Juneau to Haines. Instead, he reported that one shuttle would run from Juneau to Haines and the other would run from Haines to Skagway. Currently, the mainline ferry passes through Haines in either direction [of the Lynn Canal run from Juneau to Skagway]; however, the AMHS can conduct the transfer faster with a bow and stern door [proposed for the shuttle ferries]. He clarified that the loading doesn't need to be separated by destination when everyone on the vessel is headed to the same destination. Further, passengers destined for Skagway would load onto the second vessel, which would result in shorter loading times.

MR. YOST explained that security times would also be simplified since everyone would depart the ferry [at Haines], which results in less stringent security requirements. He noted the security concern arises when a vehicle remains on the ferry destined for Skagway, but the driver disembarks at Haines, which is removed when all passengers and vehicles are offloaded in Haines. He characterized the process as being similar to a Puget Sound ferry operation, in which transfers embark on a different ferry. Additionally, the change could allow for two 12-hour operations, although the Haines to Skagway route does not take 12 hours to complete. He suggested the changes would likely allow for four sailings. Further, the overall crew required would be reduced from two crews of 7-10 to operate two shuttle ferry - 12-hour runs - as compared to the 23-30 crewmembers necessary for the ACF [to operate the Lynn Canal run]. He concluded the AMHS would save in crew numbers and operating costs due to changes in the vessel size.

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REPRESENTATIVE ISAACSON said he was impressed at the numbers of military who reside in Interior Alaska who use the ferries. He

commented he also looks forward to attracting to the "tank testing" to Alaska [currently being conducted in Norway]. He recalled the commissioner mentioning 25 jobs would be created in Haines and Skagway. He asked the reason to add more crew given that current ferry traffic exists.

CAPTAIN FALVEY anticipated that the crews would be permanently employed on the shuttle ferries. The day vessel's crew would live ashore, just as the M/V LeConte's crew currently does. The boats spend the night in their home port, he said.

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REPRESENTATIVE KREISS-TOMKINS recalled the commissioner mentioned he had reviewed a preliminary report. He indicated substantial public concern has been raised about rumors on the fundamental design aspect from closed to an open deck. He specifically asked whether Commissioner Kemp could answer whether [the proposed shuttle ferries] would have an open or closed deck.

COMMISSIONER KEMP answered no. He explained the DOT&PF is still working on the vessel design and will need to bring in its main consultant: Elliot Bay [Design Group] - the naval architects. He reiterated that the draft report would be completed in a couple of weeks.

2:47:12 PM

ADJOURNMENT

There being no further business before the committees, the joint meeting between the House and Senate Transportation Standing Committees was adjourned at 2:47 p.m.