

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

August 16, 2018

5:00 p.m.

**MEMBERS PRESENT**

Representative Louise Stutes, Co-Chair  
Representative Harriet Drummond

**MEMBERS ABSENT**

Representative Adam Wool, Co-Chair  
Representative Matt Claman  
Representative Chuck Kopp  
Representative Mark Neuman  
Representative Colleen Sullivan-Leonard  
Representative David Eastman (alternate)  
Representative Gabrielle LeDoux (alternate)

**OTHER LEGISLATORS PRESENT**

Representative Dan Ortiz  
Representative Bryce Edgmon  
Senator Dennis Egan  
Senator Gary Stevens

**COMMITTEE CALENDAR**

PRESENTATION:       PowerPoint on HB 412:       Marine Highway Corporation; The Alaska Marine Highway Reform Project and how it led to HB 412 by Robert Venables, Executive Director of Southeast Conference & Susan Bell, Principal, McDowell Group

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

ROBERT VENABLES, Executive Director  
Southeast Conference;  
Chair, Marine Transportation Advisory Board  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint on the Alaska Marine Highway Reform.

SUSAN BELL, Principal  
McDowell Group  
Juneau, Alaska

**POSITION STATEMENT:** Presented the second portion of the PowerPoint on the Alaska Marine Highway Reform.

SENATOR DENNIS EGAN  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Asked questions during the discussion of the Alaska Marine Highway Reform.

SENATOR GARY STEVENS  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Asked questions during the discussion of the Alaska Marine Highway Reform.

**ACTION NARRATIVE**

[5:00:52 PM](#)

**CO-CHAIR LOUISE STUTES** called the House Transportation Standing Committee meeting to order at 5:00 p.m. Representatives Stutes was present at the call to order. Representative Drummond arrived as the meeting was in progress. Representative Edgmon, Representative Ortiz (by teleconference), Senator Egan (via teleconference) and Stevens were also in attendance.

CO-CHAIR STUTES recognized Representative Bryce Edgmon for traveling to Kodiak for this committee hearing. Representative Edgmon is not only the Speaker of the House, but he as the legislative representative for Bristol Bay, Unalaska, Sand Point, King Cove and other coastal communities, this issue has a large impact on his district as well.

**PRESENTATION: PowerPoint on HB 412: Marine Highway Corporation; The Alaska Marine Highway Reform Project and how it led to HB 412 by Robert Venables, Executive Director of Southeast Conference & Susan Bell, Principal, McDowell Group**

[5:02:58 PM](#)

REPRESENTATIVE STUTES announced that the only order of business would be PowerPoint Presentation on HB 412: Marine Highway Corporation; The Alaska Marine Highway Reform Project and how it led to HB 412 by Robert Venables, Executive Director of Southeast Conference & Susan Bell, Principal, McDowell Group.

[5:03:20 PM](#)

CO-CHAIR STUTES offered her opening statement as follows [original punctuation provided]:

As a refresher for the committee and the public, HB 412 is a piece of legislation that was introduced by this committee in an effort to revitalize our ailing ferry system.

The concept of the bill is to convert the Alaska Marine Highway System into a publicly owned corporation, but I will leave the explanation of how that concept came about and the benefits it will provide to the presenters.

I'd also like to thank everyone from the community here tonight and everyone listening at home. Aside from maintaining healthy fisheries, revitalizing our ferry system is probably the most important issue facing coastal Alaska.

[5:04:04 PM](#)

CO-CHAIR STUTES continued her opening statement, as follows [original punctuation provided]:

Dependable ferry service is the lifeblood of the communities that myself and other coastal legislators represent. This is a huge issue to us. This is a topic the Transportation Committee has spent a lot of time on last year and we have gathered a lot of support for the idea from Interior legislators. This committee plans to work in earnest on a new version of HB 412 next session with the intention of getting it passed into law.

I called this meeting to further explore this concept in a community-style forum so that the most affected stakeholder, the public, can be informed and offer input on the ground floor.

After we adjourn the official portion of this meeting, the presenters and committee will remain to participate in a Q&A session with the audience. I encourage anyone with questions or ideas to stay and participate in that forum.

Without further ado, would the presenters come join us. Please identify yourself and your affiliation for the record and proceed with your presentation. This meeting is recorded in audio only, so I am asking that committee members and presenters identify themselves each time they speak for the recording secretary in Juneau. Committee members feel free to ask questions as they arise.

5:05:39 PM

CO-CHAIR STUTES continued her opening statement, as follows [original punctuation provided]:

Aside from the two presenters, we have Shirley Marquardt, the Executive Director of the Alaska Marine Highway System, to answer questions on behalf of the department.

Members of the audience, again, please stay until the end if you are interested in participating in the Q&A session. It should be very informative.

5:06:21 PM

ROBERT VENABLES, Executive Director, Southeast Conference; Chair, Marine Transportation Advisory Board, stated that the Southeast Conference is a regional development organization for the State of Alaska that covers communities from Metlakatla to Yakutat. He identified the SouthWest Alaska Municipal Conference (SWAMC) as a strong supporter and collaborator in this process. He characterized the process as one that has Alaskans at the helm. He asked the Executive Director of the Alaska Marine Highway System (AMHS) incoming {May 2018}, Shirley Marquardt to join him at the table, noting she formerly served as the mayor of Unalaska. He applauded the committee's work this session, noting the remarkable progress with the introduction of HB 412. He acknowledged that the committee was up to speed with many aspects of the AMHS.

5:08:14 PM

MR. VENABLES began a PowerPoint on the Alaska Marine Highway Reform. He turned to slide 2, AMHS Reform Team, and briefly reviewed how the process began. Governor Walker and Lt. Governor Mallott challenged the Southeast Conference to find a statewide process and mechanism to address the failing and ailing AMHS. The Southeast Conference solicited participation from across the state creating a statewide steering committee.

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MR. VENABLES recognized participants who were present, including Mayor Pat Branson, Kodiak, who serves on the Marine Transportation Advisory Board (MTAB) and collaborated on this project and Mr. John Whiddon (Kodiak). He acknowledged the contractors who provided strong expertise, including the Elliott Bay Design Group (EBDG), KPFF Engineering Consultants, and McDowell Group (MG), noting Susan Bell, principal, McDowell Group was also present. He further recognized the contributions by the regional Alaska Regional Development Organization (ARDOR), and the Southwest Alaska Municipal Conference (SWAMC).

[5:09:32 PM](#)

MR. VENABLES turned to slide 3, Statewide Steering Committee, which read as follows:

- Chair: Dennis Watson - Craig
- Dave Kensinger - Petersburg
- Greg Wakefield - Anchorage
- Elizabeth Bolling - Ketchikan
- Shannon Adamson - Juneau
- Josh Howes - Anchorage
- Will Ware - Juneau
  
- Sharon Hildebrand - Fairbanks
- John Whiddon - Kodiak
- Dan Kelly - Ketchikan
- Michael Anderson - Cordova
- Dennis Bousson - Skagway
- Ex-officio - Commissioner Luiken
- Staff: Robert Venables

MR. VENABLES noted that the steering committee members were from many parts of the state, not just Southeast Alaska. He said he would provide a similar presentation in Fairbanks next week and that he recently presented in Anchorage and to the Aleutian

Pribilof communities in order to provide outreach throughout the state.

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MR. VENABLES turned to slide 4, titled "Urgent Need for Financial Sustainability," which read in part as follows:

- Funding affects schedule
- State general funds decreased by \$38 million from FY13 to FY19
  - Short-term planning horizon
  - Service level and revenue decline
- AMHS Fund/Budget (AS 19.65.050)
  - Essential part of state transportation
  - Provide for predictability and stability
  - Provide stable services to the public

MR. VENABLES pointed out the need for stabilized funding for the Alaska Marine Highway System (AMHS). He applauded the leadership of the House Transportation Committee in addressing this issue before the Finance Transportation subcommittee and in committee. It has been a two-year process and Speaker Edgmon, Representative Kito and Senators Stevens and Egan were very supportive participants throughout the process. He stated that stabilized funding would allow the system to operate and capture revenue in the highest operating months of July and August.

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MR. VENABLES turned to slide 5, Aging Fleet, which read, in part as follows [original punctuation provided]:

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

MR. VENABLES stated that the other "hole" in the fiscal outlook was increased maintenance issues. He pointed out that the vessels are very old, noting that the core of the fleet was built in the 60s, including the M/V Tustumena. These vessels have been suffering more and more breakdowns due to age-related issues with increased costs as time goes on. The AMHS has continually needed to put funding into repairs just to keep going. The planning issue has been very good in helping to

address longer-range issues and bring stability and viability to the AMHS.

[5:13:13 PM](#)

MR. VENABLES turned to slide 6, New Leadership, which read, in part as follows [original punctuation provided]:

- Shirley Marquardt announced as Executive Director in May 2018
- Implementing Phase 2 Recommendations

MR. VENABLES acknowledged Executive Director Shirley Marquardt, who was hired in May 2018. One of the things to consider about a public corporation is the recognition that the AMHS leadership and system needs to be operated more like a business. He acknowledged that due to its public service mission that some level of funding support from the state will be necessary to achieve that public mission; however, it is a \$150 million enterprise that needs to be run more like a business than it has in the past. He suggested that one day the AMHS could have an executive director surrounded by a Board of Directors (BOD) with the expertise in finance and the maritime industry. The Department of Transportation & Public Facilities' (DOT&PF) Commissioner Luiken has been very supportive of this process and has implemented or is attempting to implement many of recommendations, including appointing Ms. Marquardt as Executive Director.

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MR. VENABLES turned to slide 7, Future Fleet Development, which read, in part as follows [original punctuation provided]:

- M/V Tazlina christened August 11 at Ketchikan Shipyard
- M/V Hubbard under construction
- Tustumena replacement in final design phase, construction soon
- Phase 4 analysis on future fleet

MR. VENABLES acknowledged some misalignments, which will be discussed soon between management and labor, but also that so many different designs exist within the fleet. The challenge has been to try to find the role of design in lowering the cost and increasing efficiency of operations. He stated that he was in Ketchikan for the M/V Tazlina's christening. He reported

that the M/V Tazlina is a beautiful vessel and will be a welcome addition to the fleet.

MR. VENABLES continued to review the slide, noting that the M/V Hubbard is currently under construction. He said it was wonderful to see a ship being built in Alaska, noting the jobs the constructed had created in Ketchikan. The M/V Tustumena's replacement has moving forward with a federal Buy America waiver, which will be discussed later, but it is moving towards construction in a multi-year process. He noted the Phase 4 analysis on future fleet also spills over to slide 8, since the last bullet point addresses fleet and terminal standardization.

[5:16:04 PM](#)

MR. VENABLES turned to slide 8, Multi-Phase Project, which read, in part as follows [original punctuation provided]:

- ✓ Mission, Goals, and Governance  
*Completed May 2017*
- ✓ Strategic Operational and Business Plan  
*Completed November 2017*
- ✓ Legislation  
*HB 412 introduced April 2018*
- ✓ Interim Measures Identified  
*Implementing now*
- Fleet/Terminal Standardization and Continued Outreach

MR. VENABLES explained that Phase 2 calls for a standardized fleet, one with some feeder vessels that will funnel traffic toward the hubs to allow the mainline ocean vessels to provide service to ports further afield. He stated that it would ensure a non-politicized environment as much as possible and objectively consider vessel design by the marine architect and engineers. He acknowledged that the AMHS system has had a troubled history of trying to design the right vessel. The proposed plan will take a fresh look at vessel design, even considering the Alaska class vessels with respect to the design going forward, he said. It might ultimately mean making recommendations for modifications to the M/V Hubbard.

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MR. VENABLES reviewed some bullet points on Slide 8, noting the Strategic Operational and Business Plan will outline some of the steps needed, including that in Phase 3 the department should look at the interim measures. He noted legislation including HB 412, which is a significant milestone. He appreciated that the

bill was introduced despite its flaws, which will need to be addressed. The bill provides a credible framework to show Alaskans an outline of how the system will be established. He hoped going into the next legislative session that the next version of the bill could be a lot stronger. He reiterated his gratitude to the committee because a lot of Alaskans have been involved and injected into the process.

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MR. VENABLES turned the presentation to Ms. Susan Bell to cover the next steps.

SUSAN BELL, Principal, McDowell Group, introduced herself as a life-long Alaskan. She said Elliott Bay Design Group was the prime for Phase 2, which was the most robust study. She has been part of the process throughout the project team of engineers and analysts.

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MS. BELL reiterated that the group has given several presentations to the committee and the public. She referred to the website [amhsreform.com](http://amhsreform.com) as the site to find any forms being referenced today. She highlighted Ms. Marquardt's dedication, stating that from the moment Ms. Marquardt took her position as executive director she has been carrying the Phase 2 technical operational report with her.

MS. BELL turned to slide 9, Phase 1, which read as follows [original punctuation provided]:

- 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

MS. BELL discussed slide 9, noting Phase 1 set the stage for Phase 2, which was conducted a couple of summers ago, that it was a fairly high-level view of the project, which led into the Petersburg Southeast Conference. This phase consisted of coastal communities' participation, including the private and public sectors across the state. Phase 1 had several

components, including a statewide summit that was held in Anchorage and included stakeholder interviews. Elliott Bay Design Group (EBDG) conducted an analysis of other ferry systems from around the world. It helped people achieve insight into systems such as the British Columbia (BC) Ferry System and Washington State Ferries as well as overseas ferries, including the Scottish [Ferry Services] since Scotland's geography is similar. It helped people recognize that there are many ways ferries can be operated. It also considered government structures of other systems, such as line agencies or private corporations. No one model can be picked up to provide the right fit for Alaska, but examining other systems provides some insight and flexibility in thinking about what is possible for Alaska. The report also showed information on how much was recovered from fares for each of these systems, which was very relevant to the second phase of the study.

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MS. BELL related that a mission statement was developed with input from the public and the steering committee. There was an analysis of alternative governance models and the report concluded with the recommendation that further exploration of a public corporation was warranted.

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MS. BELL turned to slide 10, Purpose, which read as follows [original punctuation provided]:

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

MS. BELL read the revised mission statement, noting that the mission needs to be clear and she believes this mission statement achieves that goal.

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MS. BELL turned to slide 11, Phase 2, which read, in part, as follows [original punctuation provided]:

- Created long-term operating and business strategy
- Revenue analysis
- Operations analysis
- Operations financial model

- Structure and benefits of public corporation
- Public and stakeholder engagement

MS. BELL said that Phase 2 consisted of a longer more complex project phase with five main aspects. She reiterated EBDG was in the lead position and the McDowell Group (MG) was responsible for the revenue analysis, including onboard revenues, but MG also examined new potential revenue sources. The MG analyzed the structure and benefits of the proposed public corporation and stakeholder involvement. She said the report consists of approximately 100 pages, with an additional 100 pages of technical appendices. She highlighted the revenue analysis and the discussion of other public corporations in Alaska, which helped frame the construction of HB 412.

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MS. BELL turned to slide 12, Complex System, which read, in part, as follows [original punctuation provided]:

- 9 operational vessels
- 33 ports of call (34 terminals)
- Variable service schedules
- Aging fleet
- Terminal weight restrictions
- Personnel and travel account for 69% of operating budget

MS. BELL added that the Phase 2 report acknowledged the broad geographic area, the wide variations in the types of vessels, including 33 ports and 34 terminals for the system, plus an aging fleet. The report recognized that the AMHS is a people-driven system; that personnel and travel account for nearly 70 percent of the operating budget. She said it is an area to think of strategically, and the importance of considering the employees, the management structure, and management's relationship with the union. She related that recommendations were made to address some of these issues.

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MS. BELL turned to slide 13, Revenue and Traffic Analysis, which read, in part, as follows [original punctuation provided]:

- AMHS carried Alaskans from 175 communities
- Fairbanks North Star Borough
- 3,316 passengers, 1,409 vehicles

- Fairbanks, Ft. Wainwright, North Pole, Eielson, Salcha, and more
- Bethel Census Area
- 218 passengers, 52 vehicles
- Aniak, Kipnuk, Kwethluk, Sleetmute, and more

MS. BELL reviewed ridership as listed on slide 13, recognizing the AMHS serves 175 communities. She referred to a map on slide 13 using yellow dots that depicted ridership destinations throughout Alaska. She attributed some travel in the Fairbanks North Star Borough (FNSB) to military deployment in and out of Alaska. She said the Bethel Census Area indicated the AMHS served 218 passengers and 52 vehicles whose destination was the Bethel area [traveling in part via the AMHS]. She stated that understanding the market and how Alaskans are using the system was an important piece of the analysis.

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MS. BELL turned to slide 14, Revenue and Traffic Analysis, which read, in part as follows [original punctuation provided]:

- Visitors using AMHS also travel Alaska's road system
- 51% visit Anchorage
- 36% visit Denali
- 26% visit Seward
- 25% visit Fairbanks
- 23% visit Homer
- 22% visit Valdez

MS. BELL referred to a map on slide 14 that showed percentages of ridership for Fairbanks, Denali National Park, Anchorage, Homer, Seward and Valdez, as well as Southeast Alaska communities.

[5:26:51 PM](#)

MS. BELL turned to slide 15, Revenue and Traffic Analysis, which read, in part, as follows

- 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

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MS. BELL turned to slide 16, Additional Findings, which read, in part, as follows [original punctuation provided]:

- AMHS will always require public funds to provide safe and reliable transportation
- Best opportunity for revenue growth is through stabilized funding
- Transitioning to a modern and standardized fleet creates critical cost savings
- Use revenue and market analysis to guide actions
- Bellingham is an essential revenue source (44% of total)
- Non-residents account for 42% of revenue

MS. BELL outlined a few more takeaways from the in-depth phase 2 report, which indicated that the AMHS's system will always require public funds due to the geography, population and the revenue and operational expense. She pointed out that stabilized funding allows people to make business and personal decisions that affect profits, noting it is not just the amount of the funding but the timing of the funding that matters. She said there is still a need look at ways to achieve an alignment between the budget cycle and the summer season. She stated there were few efficiencies that come from having a modern fleet, which is the goal. Part of what has been looked at in the Phase 4 work being implemented is to use a revenue and market analysis to guide decision making, she said.

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MS. BELL turned to slide 17, Phase 3 which read, in part, as follows [original punctuation provided]:

- Building structure and momentum
  - Legislation introduced (HB 412)
  - Sustaining public support
  - Identifying interim measures

MS. BELL stated that Phase 3 was small and spanned the winter months and legislative session. She noted that Mr. Venables performed outreach by speaking to various chamber of commerce and trade organizations, ranging from the Alaska Travel Industry Association to the Alaska Municipal League. Speaking to identifying interim measures, she suggested that the AMHS Reform website has materials posted, including a short memo with nine recommendations.

[5:33:24 PM](#)

MS. BELL turned to slide 18, Interim Measures, which read, in part, as follows:

- Actions that can be taken now
  - Work towards more a sustainable, business-like organization
- Align with longer-term objectives
- 1: Stabilize Funding
  - Increase revenues and align with seasonality
- 2: Fleet and Terminal Standardization
  - Financial and operational efficiencies
- 3: Robust Market and Revenue Analysis
  - Allows AMHS to deploy resources effectively

MS. BELL, with respect to considering a public corporation, indicated it would take legislative and public momentum, and support and time to transition to a corporate system. She reviewed the bullet points with respect to longer-term objectives, including stabilizing funding to increase revenue development and align with seasonality since the peak operating season is short. She recommended that the information on revenue analysis be shared so people understand how the system serves the public.

[5:35:37 PM](#)

MS. BELL turned to slide 18, Interim Measures cont., which read, in part, as follows [original punctuation provided]:

- 4: Address Labor Relations

- Negotiate directly; reduce labor costs strategically
- 5: Board Development
- Phase 2 recommended 7-member board
- 5 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

MS. BELL said she touched on addressing labor relations on previous slides, noting that direct negotiations could help align labor and management interests. She related that union representatives have been part of the steering committee. Part of the Phase 2 outreach included a survey of employees, as well as an online survey available to the public. She added that reducing costs strategically and building some capacity internally is something that could help the organization move forward.

MS. BELL directed attention to board development, noting that the steering committee spent substantial time considering models. In the Phase 2 report, the board recommended a seven-member board, and suggested that five members needed to have expertise in business and transportation, plus one member needed to represent union employees. She related that the group reviewed other ferries and how the corporate structure works for the Alaska Railroad Corporation (ARRC). She highlighted board member expertise and development as a key element going forward. Finally, she mentioned that seating the board and not waiting for the corporation to be formed would provide a smooth transition.

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MS. BELL turned to slide 19, Interim Measures cont., which read as follows:

- 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

MS. BELL suggested numerous steps were needed in terms of corporation development, including considering models such as the ARRC, Alaska Industrial Development and Export Authority (AIDEA) and the Alaska Permanent Fund (APF). For example, reviewing bylaws and articles of incorporation in advance could help provide a seamless transition, she said. She underscored the importance of fostering employee communications. She acknowledged improvements have occurred, but due to changes and uncertainty it will take time and communication. She said she previously mentioned analysis done by the McDowell Group in Phase 2 as part of the broader project, which not only looked at the AMHS's current revenue collections but also considered partnerships, concessions, and non-operating revenue sources such as bonding, capital endowment and gaming. She acknowledged that these new revenue sources might not all be practical; however, she felt it was valuable to have a suite of things to consider as possible fits for the organization. Shoreside potential exists with land assets and terminals, which could provide an array of tools moving forward that are yet untapped. Finally, maintaining public support is important, she said.

[5:40:21 PM](#)

MR. VENABLES thanked the committee and particularly Co-Chair Stutes for the leadership and support on this issue over the past year. One of the things about the unique partnership that this project has had with the DOT&PF and the AMHS was this process was a non-department initiative led by Alaskans. He pointed out ongoing fundraising continues to serve this effort. He thanked project sponsors, including the City of Kodiak. As the group embarks on another year of work that this fundraising effort will continue. He characterized this as a project of Alaskans and by Alaskans, who have invested their time and money to participate. He reminded members that this information will be posted to the Alaska Marine Highway Reform's website [amhsreform.com] so that Alaskans can continue to stay informed and provide feedback to the group.

[5:43:30 PM](#)

REPRESENTATIVE EDGMON appreciated the timeliness of this meeting. He emphasized the AMHS importance to all coastal Alaskans, including a large portion of his legislative district. He thanked Mr. Venables for the presentation, noting there was a lot to absorb and it will be a long-term effort. He asked whether any consideration was given to solicit someone from

Bellingham serving as an ex-officio member and perhaps from Prince Rupert, as well.

MR. VENABLES pointed out several members, including Mr. Dan Kelly who was transferred to the Alaska Marine Lines' (AML) Seattle office; and Mr. Dave Water, Port of Bellingham, who serves on the Southeast Conference's Transportation Committee. He acknowledged the suggestions were good ones, noting that currently only Alaskans serve on the steering committee; however, the group solicits information but has not formalized lines of communications. He related that the port of Prince Rupert has been somewhat active in its interactions with the group.

[5:46:07 PM](#)

SENATOR DENNIS EGAN, Alaska State Legislature, asked to have copies of the PowerPoints e-mailed to his office.

CHAIR STUTES said Mr. Venables has agreed to do so.

SENATOR EGAN appreciated the meeting and hoped to keep involved.

[5:46:59 PM](#)

SENATOR GARY STEVENS, Alaska State Legislature, expressed concern on whether the proposed system would be better than the current one. He characterized obtaining funding as "a fight" each year and that legislators who serve coastal communities were the ones who really care [about the AMHS]. He asked for further clarification on the level of state subsidizes for the ferry system, in terms of every dollar a passenger spends. He wondered who would cover the costs of the AMHS if it becomes a corporation. He asked for further clarification if the state currently covers one-third of the costs of operating the AMHS.

MR. VENABLES related his understanding that the ferry collects just under 40 percent of its costs. He emphasized that the department has committed to find efficiencies for the AMHS to improve those figures; however, the system will always need public support to achieve its mission. The corporation would not make that separate; however, it would provide more transparency and efficiency, so the dollars will be better spent. Further, a corporation would provide a mechanism for partnerships so more revenue can be generated. He acknowledged that everyone shares that concern, but he believes that having a

corporation run by people who are passionate about its mission brings in a whole different element than the status quo.

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SENATOR STEVENS wondered how the system could be changed without increasing the prices dramatically. He said, "I'm really tired of hearing about the Marine Highway System compared to the Alaska Railroad - it's not the same thing." He pointed out that the ARRC has land, leases it out to help fund the railroad. The AMHS does not have that capability since it does not own anything except for aging vessels. He did not think the comparison made sense.

MR. VENABLES agreed.

[5:50:46 PM](#)

REPRESENTATIVE DRUMMOND pointed out that Alaska Marine Highway System collected roughly 40 percent of its costs through user fees and asked whether someone could identify any paved highway in Alaska that collects 40 percent of the associated costs in user fees.

[5:52:00 PM](#)

SENATOR EGAN answered "zero."

[5:52:53 PM](#)

CHAIR STUTES thanked Kodiak Mayor Branson, Kodiak and Kodiak Island Borough Mayor Rohrer for participating. She thanked members for agreeing unanimously to introducing HB 412, relating that some members serving on the committee are from Interior Alaska and the Mat-Su Valley. She expressed her gratitude.

[5:53:07 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 5:53 p.m.