

SENATE FINANCE COMMITTEE
April 10, 2019
1:21 p.m.

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CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 1:21 p.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Peter Micciche
Senator Donny Olson
Senator Mike Shower
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

Mary Siroky, Deputy Commissioner, Department of Transportation and Public Facilities; Matt McLaren, Alaska Marine Highway Business Enterprise and Development Manager, Department of Transportation and Public Facilities.

SUMMARY

PRESENTATION: ALASKA MARINE HIGHWAY SYSTEM

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Co-Chair Stedman informed that the committee discussion would include a discussion of that the AMHS would look like if it operated from October 1 through June 1 of the next

fiscal year. He noted that the governor had proposed cutting service during that time.

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MARY SIROKY, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, thanked the committee for the opportunity to have in-depth conversations with committee members over previous weeks.

MATT MCLAREN, ALASKA MARINE HIGHWAY BUSINESS ENTERPRISE AND DEVELOPMENT MANAGER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself.

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Mr. McLaren discussed the presentation, "Alaska Marine Highway System (AMHS) Overview" (copy on file).

Mr. McLaren turned to Slide 2, "AMHS Ports of Call":

33 Alaskan Communities, Prince Rupert, & Bellingham

Mr. McLaren noted that the map on the page showed the ports served by AMHS.

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Mr. McLaren displayed Slide 3, "AMHS Port and Vessel Codes":

Communities

ANB = Metlakatla (Annette Bay)
AKU = Akutan
ANG = Angoon
BEL = Bellingham, WA
CBY = Cold Bay
CDV = Cordova
CHB = Chenega Bay
CHG = Chignik
FPS = False Pass
GUS = Gustavus
HNS = Haines
HNH = Hoonah
HOM = Homer
JNU = Juneau (Auke Bay)
KAE = Kake

KCV = King Cove
KOD = Kodiak
KTN = Ketchikan Communities
OLD = Old Harbor
ORI = Port Lions
OUZ = Ouzinkie
PEL = Pelican
PSG = Petersburg
SDP = Sand Point
SDV = Seldovia
SGY = Skagway
SIT = Sitka
TAT = Tatitlek
TKE = Tenakee
UNA = Unalaska/Dutch Harbor
VDZ = Valdez
WRG = Wrangell
WTR = Whittier
YAK = Yakutat
YPR = Prince Rupert, B

Ships

AUR M/V Aurora
CHE FVF Chenega
COL M/V Columbia
FWX FVF Fairweather
KEN M/V Kennicott
LEC M/V LeConte
LIT M/V Lituya
MAL M/V Malaspina
MAT M/V Matanuska
TUS M/V Tustumena
TAZ M/V Tazlina
M/V Motor Vessel
FVF Fast Vehicle Ferry

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Mr. McLaren referenced Slide 4, "Historical Revenue and Operating Cost," which showed a graph entitled ' AMHS Fare Box Recovery Rate 1987-2018.' The dark blue lines showed system operating costs, and the salmon colored lines showed the revenue generated. The wavy line showed the fare box recovery rate, which was calculated by dividing the revenue by the total operating cost. The high was in 1992, with a fare box recovery rate of just over 60 percent.

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Co-Chair von Imhof observed that operating costs had stayed consistent from 1987 up to 2005, at which time it increased. She asked what caused the increase in costs.

Mr. McLaren stated there were a few factors. He relayed that in 2005-2006 3 new vessels were added to the fleet, contract negotiations had resulted in increased cost, and some smaller coastal communities were added to the call.

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Co-Chair Stedman asked whether an agreement to move the salary/benefit level up by 20 percent, as a result of fast ferry work, had resulted in the cost increase.

Mr. McLaren thought the wage increases were for 6 and 7 percent. He offered to provide an exact number later.

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Senator Wilson asked for a list of vessel ages and port acquisition dates.

Mr. McLaren agreed to provide the information.

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Mr. McLaren highlighted Slide 5, "Economic Impacts," which showed two charts depicting the number of AMHS trips by the top ten community of residence in 2014; and the top ten destinations of AMHS summer visitors from 2011. He informed that the data on the slide was provided by the McDowell Group in January 2016.

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Senator Micciche wanted to make a connection between bookings and economic impact. He asked about the use of two different years.

Mr. McLaren offered to provide more detail later.

Ms. Siroky stated that the purpose of the slide was to give an idea of where people were getting on and off the vessels.

Co-Chair Stedman asked whether Anchorage was a port that the Alaska Marine Highway System (AMHS) stopped in.

Ms. Siroky replied in the negative. She explained that access to Anchorage would be via Whitter, Valdez, or Homer.

Co-Chair Stedman added Haines to Ms. Siroky's list.

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Senator Wielechowski asked how many active duty military personnel used the AMHS to travel to and from the state.

Mr. McLaren relayed that in 2018, military travel in and out of Bellingham, WA, equaled 907 vehicles and 1,194 passengers. He added that military travel in and out of Prince Rupert consisted of 80 vehicles and 108 passengers.

Co-Chair Stedman asked whether the number included members of the Coast Guard.

Mr. McLaren replied in the affirmative.

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Senator Wielechowski asked about the return journey for military personnel and families.

Mr. McLaren stated that the breakdown of those traveling to Bellingham was 438 vehicles and 568 passengers; travel to Prince Rupert was 69 passengers and 47 vehicles.

Senator Wielechowski asked about the time of year that military travel occurred.

Mr. McLaren offered to provide the information later.

Co-Chair Stedman added that it would be illuminating to see how changes in the AMHS schedule would impact military travel.

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Mr. McLaren addressed Slide 6, "FY 2020 Governor's 2/13 Budget":

Published summer schedule remains intact through the end of August

September 1, 2019 through September 30, 2019, operate:

- Matanuska and Malaspina on their Bellingham and SE Alaska runs
- Tazlina in Northern Lynn Canal
- Lituya from Ketchikan - Annette Bay
- No service to Homer, Kodiak, Aleutian Chain, Whittier, Cordova, Valdez, Chenega Bay, Tatitlek, Yakutat, Prince Rupert, Angoon, Tenakee, Pelican, Hoonah, and Gustavus
- Vessels in Layup: Chenega, Fairweather, Kennicott, Columbia, Tustumena, Aurora, LeConte, and Hubbard

October 1, 2019, through June 30, 2020:

- No Service
- Vessels in Layup: All vessels

This schedule provides 84.8 weeks of service with a potential fare box recovery rate of 40 percent.

UGF: \$21,825.8
DGF*: \$17,869.3 (Revenues)
Motor Fuel Tax Fund: \$3,617.1
CIP Receipts: \$1,893.7
*Includes DOT&PF Support Services

Expenditure Authorization: \$45,205.9
Generated Revenue: \$17,869.3
Net Deficit Amount: (\$27,336.6)

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Senator Bishop asked about the expenditure authorization as listed on the slide and asked about the cost of vessel layup.

Mr. McLaren estimated that in the 9 months that the ships would be laid up the cost would be \$1.5 million, per month.

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Senator Wielechowski asked whether there were any provisions in any of the collective bargaining agreements

that covered AMHS employees that required that employees continue to get paid even if service had stopped.

Mr. McLaren stated there were some provisions for contracts in the bid awards. He said that currently the bids had been awarded through summer 2019. The bid cycle for the winter had not started yet, but if ships were laid up then crews would be needed to keep the vessels safe.

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Co-Chair Stedman asked about the standard timing for the opening of the reservation system for the October through winter timeframe.

Mr. McLaren stated that AMHS normally published the schedule in July and August after a budget had been approved.

Co-Chair Stedman asked whether reservations for October sailings, and through the winter, were taken in July.

Mr. McLaren stated that the winter schedule (October through April) was published in July and August for booking.

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Senator Micciche asked whether there would be no state funded way for people from Juneau to get vehicles to and from Juneau to the road system; Juneau would be disconnected for 9 months.

Mr. McLaren answered in the affirmative.

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Ms. Siroky thought it was important to recognize that the scenario on Slide 6 was built in order to ensure that the commitment had been met for travelers who had booked sailings for summer 2019.

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Senator Wielechowski asked whether the ferry was used by private businesses and if there could be an economic impact as a result of the truncated sailing schedule.

Mr. McLaren affirmed that many businesses used the system, and 4 percent of ferry traffic was commercial. Commercial traffic included groceries and building supplies for smaller communities.

Senator Wielechowski asked how businesses would ship good and products from October through June if the ferries were not operating.

Ms. Siroky stated that there were barge lines and freight services that carried small amounts of goods and services throughout Southeast Alaska.

Senator Wielechowski asked whether the other services were comparable in cost and ran on the same timetables as the AMHS.

Ms. Siroky said that she was not aware of the barge lines scheduling. She recalled that the barge sailed weekly from Bellingham. She expected that the cost of moving freight and vehicles on with a commercial outfit would be more expensive than the AMHS.

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Senator Bishop recalled that in years past there had been a discussion about forward-funding for the system in order to give certainty for the public.

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Co-Chair Stedman asked about the net deficit under the governor's proposed budget, which was approximately \$27 million, and would need to be backfilled from the treasury. He noted that the cost of mooring and tending ships laid up in port was included in that deficit.

Mr. McLaren replied in the affirmative.

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Co-Chair von Imhof asked whether the \$27 million net deficit amount was listed in the governor's proposed budget.

Mr. McLaren stated that the total budget of \$45 million included the cost. The department had been asked to provide

scenarios that honored the summer schedule. He said that the department had looked at how much service could continue to be provided, while making funds available to keep the state assets safe through the winter.

Co-Chair von Imhof surmised that the governor was asking the legislature to find the \$27 million necessary to cover the costs.

Mr. McLaren stated that the \$27 million was the total cost of the budget of \$45 million, minus the revenue that could be generated. The \$27 million would essentially be the state subsidy for the schedule on Slide 6.

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Senator Wielechowski had heard different data on how many jobs would be lost through proposed budget cuts. He asked how many AMHS jobs would be lost under the governor's proposal.

Ms. Siroky estimated that there would be 300 positions lost if the proposed budget was implemented. She qualified that the number did not include economic impacts to ports in communities or to Vigor, the company in Ketchikan that provided annual vessel maintenance.

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Co-Chair Stedman noted that Vigor operated the state shipyard in Ketchikan and the AMHS was the anchor tenant.

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Mr. McLaren showed Slide 7, "Outsourcing Service":

Per the Collective Bargaining Agreements with the vessel unions, service to the following ports could be outsourced by the State with service to/from Sitka, Juneau and Petersburg:

- Angoon
- Gustavus
- Kake
- Hoonah
- Tenakee
- Pelican

Mr. McLaren relayed that he had been asked to look at possibilities for outsourcing service to certain communities.

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Co-Chair Stedman noted that Angoon had no barge service or airport. He stressed that all communities were not equal in their ability to procure goods and services. He asked Mr. McLaren to elaborate as to why the specific ports were listed rather than all ports.

Ms. Siroky stated that the department had negotiated outsourcing with the unions when the M/V LeConte was out of service. The communities listed had been primarily served by that vessel and the department had not approached the issue with many other communities.

Co-Chair Stedman asked about other ports of call. He asked if they would receive any service without the AMHS.

Ms. Siroky answered in the affirmative. It would not be possible to outsource service to Haines, Skagway, Valdez, or Kodiak.

Co-Chair Stedman asked if there was a termination date on the arrangement, or if it would run in perpetuity.

Ms. Siroky did not know that there was an end date to the specific outsourcing.

Mr. McLaren interjected that these were the ports listed in the current collective bargaining agreements.

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Senator Bishop pointed out that there was no guarantee that there would be an entity to outsource ferry service to.

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Senator Wielechowski asked whether there was any Public Employees' Retirement System (PERS) liability that would be incurred as a result of outsourcing.

Co-Chair Stedman explained that when entities were merged or sold, it could trigger a pension liability. He relayed

the possibility that if the AMHS were shut down, the state could incur a liability to the employees for vested benefits that were not fully funded.

Ms. Siroky stated that there would be liability for individuals vested in PERS. The state had a terminal leave bank for individuals that were cashing out leave at the end of state service. The department had not calculated the potential costs.

Co-Chair Stedman asked whether the department would be coming forward with a supplemental request in the future to cover the liability.

Ms. Siroky did not know the answer to the question and suggested that Department of Administration would best answer questions about the liability.

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Senator Wielechowski asked whether it would be possible to get an estimate of PERS withdrawal liability.

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Co-Chair Stedman asked about the potential termination costs listed on Slide 6. He had found it would cost \$77 million to cover the supplemental funds. He stated that here were significant adjustments to make, relative to the proposed budget, to keep the system viable.

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Senator Wielechowski asked whether the governor's proposed budget considered the expense of laying up vessels.

Mr. McLaren answered in the affirmative.

Senator Wielechowski asked for the amount.

Mr. McLaren repeated that it would cost \$1.5 million per year to store and maintain the vessels.

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Co-Chair Stedman wanted to look at scenarios to keep the system going. He mentioned a study that would be complete

in late fall 2019 that would provide alternatives to the system, but in the meantime, he wanted to focus on keeping the AMHS viable.

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Mr. McLaren spoke to Slide 8, "Example Scenario 1 Potential Outsourced Service Schedule":

- Sitka -Angoon -Hoonah -Juneau
- One day per week, every other week

- Juneau -Hoonah -Angoon -Sitka
- One day per week, every other week

- Juneau -Gustavus -Juneau
- One day per week, every other week

- Pelican and Tenakee
- One port call per month

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Mr. McLaren referenced Slide 9, "FY2020 AMHS Example Scenario 1 - Add Oct-June Outsourcing Villages of SE Panhandle":

Published summer schedule remains intact through the end of August

September 1, 2019 through September 30, 2019, operate:

- Matanuska and Malaspina on their Bellingham and SE Alaska runs
- Kennicott on the Bellingham -Whittier Cross-gulf run
- Tustumena on the Homer-Kodiak/Aleutian Chain run
- Tazlina in Northern Lynn Canal
- Lituya from Ketchikan -Annette Bay
- Outsourced Service to SE Villages -three days, every other week
- **Vessels in Layup: Chenega, Fairweather, Columbia, LeConte, Aurora, Hubbard**

October 1, 2019 through March 31, 2020, operate:

- Matanuska on the Bellingham run
- Tustumena on the Homer -Kodiak Island and Cordova - Valdez
- Tazlina in Northern Lynn Canal

- Lituya from Ketchikan -Annette Bay
- Outsourced Service to SE Villages -three days, every other week
- No service to Prince Rupert or Whittier**
- Vessels in Layup: Chenega, Fairweather, Kennicott, Malaspina, LeConte, Columbia, Aurora, Hubbard**

April 1, 2020, through June 30, 2020, operate:

- Matanuska and Malaspina on the Bellingham run
- Kennicott on the Juneau -Whittier Cross-gulf run
- Tustumena on the Homer-Kodiak Island run with one Aleutian Chain run
- Hubbard in Prince William Sound
- Tazlina in Northern Lynn Canal
- Lituya from Ketchikan -Annette Bay
- Outsourced Service to SE Villages -three days, every other week
- **No service to Prince Rupert**
- Vessels in Layup: Chenega, Fairweather, LeConte, Columbia, Aurora**

This schedule provides 288.8 weeks of service, including the outsourced service with a potential fare box recovery rate of 50%.

Note: There will be gaps in service while the vessels undergo their required annual COI overhauls.

UGF: \$41,605.9
 DGF*: \$47,358.9 (Revenues)
 Motor Fuel Tax Fund: \$3,617.1
 CIP Receipts: \$1,893.7
 *Includes DOT&PF Support Services

Expenditure Authorization: \$94,475.6
 Generated Revenue: \$47,358.9
 Net Deficit Amount: (\$47,116.7)

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Co-Chair Stedman queried the department's confidence in the projected numbers on the slide.

Mr. McLaren stated he was confident with the numbers reflected on the slide. He explained that the schedule had been crafted to provide some service to all communities,

while simultaneously focusing on summer routes and ports that generated the most revenue.

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Senator Bishop asked whether the numbers on Slide 9 included the funds to outsource.

Mr. McLaren affirmed that the numbers included the cost of the outsource and the revenue off that service. He reminded that the numbers were estimates.

Senator Bishop wondered about the Inner Island Ferry for Prince of Whales Island.

Ms. Siroky affirmed that the Inner Island Ferry received a subsidy of approximately \$250,000 for its operation.

Co-Chair Stedman noted that the Inner Island Ferry had regularly submitted their financials to OMB for review to be sure that the state was getting a good return on investment.

Co-Chair Stedman noted that there was a deficit of \$47 million shown on Slide 9.

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Co-Chair von Imhof considered that the previous year, there was \$86 million UGF going to AMHS, and slide 9 showed \$41 million UGF. She thought that even with cutting the UGF in half, it would be helpful to have a table that reflected ridership.

Mr. McLaren stated that upcoming slides would show operating weeks and a side by side comparison.

Co-Chair Stedman wanted to know the increment going from status quo to Scenario 1 and Scenario 2.

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Mr. McLaren reviewed Slide 10, " FY2020 AMHS Example Scenario 2 Add Oct-June AMHS Operating to Villages of SE Panhandle":

Published summer schedule remains intact through the end of August

September 1, 2019 through September 30, 2019, operate:

- Matanuska and Malaspina on their Bellingham and SE Alaska runs
- Kennicott on the Bellingham -Whittier Cross-gulf run
- Tustumena on the Homer-Kodiak/Aleutian Chain run
- Tazlina in Northern Lynn Canal
- Lituya from Ketchikan -Annette Bay
- No service to Angoon, Tenakee, and Pelican due to LeConte's required overhaul**
- Vessels in Layup: Chenega, Fairweather, Columbia, Aurora, Hubbard**

October 1, 2019 through March 31, 2020, operate:

- Matanuska on the Bellingham run
- Tustumena on the Homer -Kodiak Island and Cordova - Valdez
- Lituya from Ketchikan -Annette Bay
- LeConte -Dayboat service to Northern Lynn Canal, SE Panhandle, and Sitka
- No service to Prince Rupert or Whittier
- Vessels in Layup: Chenega, Fairweather, Kennicott, Malaspina, Columbia, Aurora, Tazlina, Hubbard April 1, 2020, through June 30, 2020, operate:
- Matanuska and Malaspina on the Bellingham run
- Kennicott on the Juneau -Whittier Cross-gulf run
- Tustumena on the Homer-Kodiak Island run with one Aleutian Chain run
- Hubbard in Prince William Sound
- Tazlina in Northern Lynn Canal
- Lituya from Ketchikan -Annette Bay
- LeConte -Dayboat service to SE Villages and Sitka
- No service to Prince Rupert**
- Vessels in Layup: Chenega, Fairweather, Columbia, Aurora**

This schedule provides 283.9 weeks of service with a potential fare box recovery rate of 50%.

Note: There will be gaps in service while the vessels undergo their required annual COI overhauls.

UGF: \$43,124.7

DGF*: \$48,120.5 (Revenues)

Motor Fuel Tax Fund: \$3,617.1

CIP Receipts: \$1,893.7
*Includes DOT&PF Support Services

Expenditure Authorization: \$96,756.0
Generated Revenue: \$48,120.5
Net Deficit Amount: (\$48,635.5)

[2:04:43 PM](#)

Mr. McLaren spoke to Slide 11, "Scenario Comparison,":

FY 2020 Governor 2/13 Budget

July through August: Operate current published schedule

September: No service in SW Alaska, Prince William Sound, Prince Rupert, and SE Alaska Villages

October through March: No Service

April through June: No Service

Service Weeks (incl. Outsourcing weeks): 84.8

Fare Box Recovery: 40 percent

Funding Sources: \$21,825.8 UGF, \$17,869.3 DGF, \$3,617.1 Mtr Fuel Tax, \$1,893.7 CIP Rcpts, \$45,205.9 Total

Net Deficit Amount (\$27,336.6)

FY 2020 Example Scenario 1 - Add Oct-June - Outsourcing Villages of SE Panhandle

July through August: Operate current published schedule

September: Some service to all ports

October through March: Some service to all ports except Prince Rupert and Whittier

April through June: Some service to all ports except Prince Rupert

Service Weeks (incl. Outsourcing weeks): 288.8

Fare Box Recovery: 50 percent

Funding Sources: \$41,605.9 UGF, \$47,358.9 DGF, \$3,617.1 Mtr Fuel Tax, \$1,893.7 CIP Rcpts, \$94,475.6 Total

Net Deficit Amount (\$47,116.7)

FY 2020 Example Scenario 2 - Add Oct-June - AMHS Operating to Villages of SE Panhandle

July through August: Operate current published schedule

September: No service to Angoon, Tenakee, and Pelican (Due to LeConte's required annual overhaul)

October through March: Some service to all ports except Prince Rupert and Whittier

April through June: Some service to all ports except Prince Rupert

Service Weeks (incl. Outsourcing weeks): 283.9

Fare Box Recovery: 50 percent

Funding Sources: \$43,124.7 UGF, \$48,120.5 DGF, \$3,617.1 Mtr Fuel Tax, \$1,893.7 CIP Rcpts, \$96,756.0 Total

Net Deficit Amount (\$48,635.5)

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Co-Chair von Imhof observed that Scenario 1 had 5 more service weeks at the cost of \$2 million less UGF.

Mr. McLaren agreed. The difference of the two was that the LeConte would be operating 7 days per week, the outsourcing service would be operating 6 days per month.

Co-Chair von Imhof wanted to see how many service weeks were currently in place, and the funding sources attached.

Mr. McLaren stated that the FY 19 budget included 345.9 service weeks at \$86 million UGF.

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Mr. McLaren discussed Slide 12, "Example Scenario Route Comparison Summer 2019 - Southeast," which showed two maps of Southeast Alaska that had identical schedules:

Scenarios 1 and 2

Columbia (weekly round-trip)

Bellingham, Ketchikan, Wrangell, Petersburg, Sitka, Juneau, Haines, Skagway

Malaspina (weekly round-trip)

Prince Rupert, Ketchikan, Wrangell, Petersburg, Kake, Sitka, Juneau, Haines, Skagway

Kennicott (two-week round-trip)

Bellingham, Ketchikan, Juneau, Yakutat, Whittier, Chenega Bay, Homer, Kodiak, Seldovia

Tazlina (dayboat - 6 operating days per week)

Juneau, Haines, Skagway

LeConte (dayboat - 7 operating days per week)

Juneau, Angoon, Tenakee, Hoonah, Gustavus, Pelican, Angoon

Lituya (dayboat - 5 operating days per week)

Ketchikan, Annette Bay

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Mr. McLaren highlighted Slide 13, "Example Scenario Route Comparison Summer 2019 -Southwest," which offered the following scenarios:

Scenarios 1 and 2

Kennicott (two-week round trip)

Bellingham, Ketchikan, Juneau, Yakutat, Whittier, Chenega Bay, Homer, Kodiak, Seldovia

Aurora (dayboat - 7 operating days per week)

Whittier, Valdez, Cordova, Tatitlek

Tustumena (two-week round trip)

Homer, Seldovia, Kodiak, Port Lions, Ouzinkie, Old Harbor, Chignik, Sand Point, King Cove, Cold Bay, False Pass, Akutan, Dutch Harbor

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Mr. McLaren discussed Slide 14, "Example Scenario Route Comparison Winter 2019/2020 -Southeast," which showed the following scenarios:

Scenario 1

Malaspina (weekly round-trip)

Bellingham, Ketchikan, Wrangell, Petersburg, Kake, Sitka, Juneau, Haines, Skagway

Tazlina (dayboat - 4 operating days per week)

Juneau, Haines, Skagway, Hoonah, Gustavus

Lituya (dayboat - 5 operating days per week)

Ketchikan, Annette Bay

Outsourced Service (6 trips per month)

Sitka, Angoon, Tenakee, Hoonah, Pelican, Gustavus, Juneau

Scenario 2

Malaspina (weekly round-trip)

Bellingham, Ketchikan, Wrangell, Petersburg, Kake, Sitka, Juneau, Haines, Skagway

LeConte (dayboat - 7 operating days per week)

Juneau, Haines, Skagway, Hoonah, Gustavus, Pelican, Angoon, Tenakee, Sitka

Lituya (dayboat - 5 operating days per week)

Ketchikan, Annette Bay

Outsourced Service (6 trips per month)

Sitka, Angoon, Tenakee, Hoonah, Pelican, Gustavus, Juneau

[2:11:02 PM](#)

Mr. McLaren turned to slide 15, "Example Scenario Route Comparison Winter 2019/2020 - Southwest," and noted that there was no difference between the two scenarios:

Scenarios 1 and 2

Tustumena (Cordova and Valdez twice per month)

Homer, Seldovia, Kodiak, Port Lions, Ouzinkie, Old Harbor, Valdez, Cordova

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Co-Chair Stedman observed that the scenarios on Slide 15 showed service to Kodiak, Old Harbor, Cordova, and Valdez.

Mr. McLaren replied in the affirmative.

Co-Chair Stedman asked about the difference between the two scenarios.

Mr. McLaren repeated that the scenarios were the same.

Co-Chair Stedman asked about out fisheries workers that b=needed transportation further down the Aleutian Chain.

Mr. McLaren stated that the next slide would provide further clarity. He noted that the system did not run to that area in the winter months because the weather was extreme and dangerous for sailing.

Co-Chair Stedman rebutted that the request was not being made to run additional routes, only to salvage the service that was already in place.

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Mr. McLaren moved to Slide 16, "Example Scenario Route Comparison Summer 2020 -Southeast," which showed the following run scenarios:

Scenario 1

Matanuska (weekly round-trip)
Bellingham, Ketchikan, Wrangell, Petersburg, Sitka,
Juneau, Haines, Skagway

Malaspina (weekly round-trip)
Bellingham, Ketchikan, Wrangell, Petersburg, Kake,
Sitka, Juneau, Haines, Skagway

Kennicott (twice per week)
Juneau, Yakutat, Whittier

Tazlina (dayboat - 6 operating days per week)
Juneau, Haines, Skagway, Hoonah, Gustavus

Lituya (dayboat - 5 operating days per week_
Ketchikan, Annette Bay

Outsourced Service (6 trips per month)
Sitka, Angoon, Tenakee, Hoonah, Pelican, Gustavus,
Juneau

Scenario 2

Matanuska (weekly round-trip)
Bellingham, Ketchikan, Wrangell, Petersburg, Sitka,
Juneau, Haines, Skagway

Malaspina (weekly round-trip)
Bellingham, Ketchikan, Wrangell, Petersburg, Sitka,
Juneau, Haines, Skagway

Kennicott (twice per week)
Juneau, Yakutat, Whittier, Chenega Bay

Tazlina (dayboat - 6 operating days per week)
Juneau, Haines, Skagway,

LeConte (dayboat - 7 operating days per week)
Juneau, Hoonah, Gustavus, Tenakee, Angoon, Pelican,
Sitka, Kake

Lituya (dayboat - 5 operating days per week)
Ketchikan, Annette Bay

Mr. McLaren noted that the chosen routes were high demand, high income routes.

Co-Chair Stedman asked to keep in mind that the Prince Rupert area had a rail system and had plans for a large liquefied natural gas project in the future that would create significant economic activity. He thought it would be nice to have a port of call in Prince Rupert so that workers and businesspeople could have access to the economic development in that area. He thought access to Prince Rupert and the rail would help to move fish from Southeast Alaska. He did not want lose sight of the economic activity coming to the area. He added that there was a port there already that the state was struggling to rebuild.

Ms. Siroky stated that all the scenarios all had the dramatic change of not serving Prince Rupert. In the departments attempt to bring forward a revenue maximizing scenario, the choice had been made to drop service to

Prince Rupert. She said that money was saved in the Capital Budget by dropping service to the area. She said that the state had had some recent issues with operating in Prince Rupert.

Co-Chair Stedman asked about the buying of American steel and how it related to building out the port in the area. He wanted to highlight the forthcoming economic activity in the region and the possibility of that activity providing jobs for Alaskans. He stressed that it would be unfortunate for the state to miss out on the economic opportunity and have the action of "pinching pennies cost us dollars."

[2:17:11 PM](#)

Co-Chair Stedman pointed out that Angoon did not have barge service or an airport. He thought that, depending on which scenario was run, the community could be in a difficult position. He stressed that the marine highway carried hospital patients from that community to Sitka and Juneau; limiting marine travel could negatively affect the cultural practices of smaller communities.

[2:17:56 PM](#)

Mr. McLaren referenced slide 17, "Example Scenario Route Comparison: Summer 2020 - Southwest," which showed the Aleutian Chain run. The slide showed the example scenario route comparison for both Scenarios 1 and 2. He said that the Kennicott would come up from Juneau and then go to Yakutat and Whittier and Chenega Bay. The Hubbard would operate in Prince William Sound, Cordova, Valdez, and Whitter. The Tustumena would operate between Homer and Kodiak Island. The scenario also included an earlier Aleutian Chain run to get fishing vessels and equipment to those islands early in the fishing season. The scenarios cut out on June 30th and a late run had been investigated to get fishing vessels home later in the fishing season.

[2:19:12 PM](#)

Co-Chair Stedman noted that under both scenarios there was some service out to the Aleutian Chain, Kodiak, and into Prince William Sound, with modified services into Southeast. He surmised that Prince Rupert would be without service until the next budget cycle.

Mr. McLaren answered in the affirmative.

Co-Chair Stedman warned underestimating the popularity of Alaskans wanting to go to Prince Rupert. He noted that boarding in Prince Rupert required going through Canadian customs, which could lead to drug smuggling intervention. There were various angles and reasons why the people of Southeast liked going through Prince Rupert.

[2:20:23 PM](#)

Senator Bishop asked whether the state had granted a contract for the study.

Ms. Siroky stated that the department had announced an "intent to award" and was in the 10-day protest period.

Senator Bishop asked how much the outsourced cost would be to get from Angoon to Juneau.

Mr. McLaren responded that in the past the outsourced providers had honored the systems current tariffs.

[2:21:14 PM](#)

Senator Wilson asked whether there were water taxis that were traveling routes from Hoonah to Juneau.

Mr. McLaren did not know of one from Hoonah to Juneau. He thought there was one from Haines to Skagway.

Ms. Siroky added that there were some businesses that moved freight around but not a lot of passenger service.

Co-Chair Stedman stated that between Coffman Cove, Wrangell, and Petersburg there had been two entities that had tried to provide taxi service but had not been successful. He thought there were life-safety issues to consider.

Co-Chair Stedman reiterated that there was a significant amount of funding in the capital budget that had been redirected to other sources but could be moved in a future budget if the marine highway were liquidated.

[2:24:14 PM](#)

Co-Chair von Imhof stated that because the ferry system was so capital and operating budget intensive, and given the inner play between the two budgets, any changes in the funding of the system would require thoughtfully examining the budgets considering every aspect of the system.

Co-Chair Stedman concluded that the legislature would make an appropriation, and the administration would manage the system. The legislature would not be selecting vessels or routes but would be appropriating funds to be used by the AMHS.

[2:25:45 PM](#)

Senator Olson asked whether there had been discussion about air taxis picking up passenger traffic.

Ms. Siroky replied in the negative.

Co-Chair Stedman discussed housekeeping.

#

ADJOURNMENT

[2:27:32 PM](#)

The meeting was adjourned at 2:27 p.m.