

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 2, 2021

1:32 p.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Ivy Spohnholz
Representative Harriet Drummond
Representative Sara Hannan
Representative Tom McKay
Representative Kevin McCabe
Representative Mike Cronk

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

OVERVIEW(S): ALASKA MARINE HIGHWAY SYSTEM

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ROB CARPENTER

Deputy Commissioner

Department of Transportation & Public Facilities

Juneau, Alaska

POSITION STATEMENT: Shared a PowerPoint and answered questions during the meeting.

MATT MCLAREN

Business Manager

Alaska Marine Highway System

Juneau, Alaska

POSITION STATEMENT: Shared a PowerPoint and answered questions during the meeting.

CAPTAIN JOHN FALVEY

General Manager

Alaska Marine Highway System
Juneau, Alaska

POSITION STATEMENT: Shared a PowerPoint and answered questions during the meeting.

ACTION NARRATIVE

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CHAIR GRIER HOPKINS called the House Transportation Standing Committee meeting to order at 1:32 p.m. Representatives McKay, Cronk, and Hopkins were present at the call to order. Representatives Spohnholz, Hannan, McCabe, and Drummond arrived as the meeting was in progress.

OVERVIEW(S): ALASKA MARINE HIGHWAY SYSTEM

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ROB CARPENTER, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), shared a presentation on the Alaska Marine Highway System (AMHS), which covered AMHS routes in Southeast Alaska, from Bellingham, Washington to Yakutat, Alaska, as well as the vessels serving this area: the Matanuska, the mainliner that goes from Bellingham to Skagway; the Kennicott, going from Bellingham to Yakutat and cross-Gulf to Southwest Alaska; the LeConte, doing the "village runs" Gustavus, Pelican, Angoon, and the Lituya, the "day boat" running from Ketchikan to Metlakatla daily.

MR. CARPENTER showed a depiction of Southwest routing on slide 2, pointing out that the Kennicott, after leaving Yakutat and crossing the Gulf, generally stopped in Whittier, but when the Tustumena went out the Aleutian Chain ("chain") to Dutch Harbor, the Kennicott filled in and provided service from Whittier to Homer to Kodiak. The Aurora generally served the Prince William Sound (PWS) Area of Whittier, Valdez, and Cordova, he added.

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CHAIR HOPKINS asked what the longest duration was between any two stops.

MR. CARPENTER replied it would depend on the time of year.

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MATT MCLAREN, Business Manager, AMHS, replied during summer boats went out the chain once per month on a one-week round trip. In the wintertime, October - April, AMHS did not go out the chain due to rough seas and weather. The Aurora ran continuously so long as funding was available, he stated.

CHAIR HOPKINS asked whether cancellations due to funding decreases were a recent thing or an ongoing pattern.

MR. MCLAREN replied there has been continuous service, but that it has not been as frequent. The Kennicott has run consistently, but with additional funding the Aurora and Tustumena would run more often as well, he added.

CHAIR HOPKINS asked whether the current budget proposal from Governor Mike Dunleavy would allow the winter run to happen.

MR. MCLAREN replied there was more room in the budget than last year. The Aurora would need to be laid up in October, he said, the Kennicott would be running, and the Tustumena would be laid up beginning in November. The governor's budget did decrease the amount of time the Kennicott would have to run alone, he stated.

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REPRESENTATIVE HANNAN asked if Kake and Pelican were reflected in the finalized summer schedule for 2021.

MR. MCLAREN replied yes, the ports of Kake and Pelican were included. Pelican will be one roundtrip per month; Kake would be serviced by the Matanuska.

REPRESENTATIVE HANNAN asked whether the Bellingham runs have been increased, as it could be a profitable season for that run due to the Canada closures.

MR. MCLAREN replied there was regular service to Bellingham with six stops per month between the Matanuska (once per week) and Kennicott (once every other week), but folks headed to Interior Alaska through Whittier would be serviced by the Matanuska out of Bellingham's feeding the Kennicott in Juneau.

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REPRESENTATIVE MCCABE asked after the Kennicott's summer ridership on the "cross-Gulf" route (Bellingham - Whittier - Homer - Kodiak), and the "break-even" point.

MR. MCLAREN replied on all routes, revenue came from the car deck, as passenger seats didn't sell out. When the Columbia ran out of Bellingham, only about 70% capacity on the car deck was needed to break even. With military moves, the cross-Gulf route looked to be in high demand, he stated. In the summertime, the route paid for itself, he added, and helped pay for some others.

REPRESENTATIVE MCCABE asked whether frequency in wintertime could be decreased enough, and ridership brought up enough, to break even on the Kennicott's cross-Gulf trips.

MR. MCLAREN replied frequency had already been limited regarding the Kennicott, which, due to COVID-19 mitigation measures had been on a two-week round trip basically covering the entire AMHS system and seeing a lot of demand. The best way to increase revenue while keeping frequency of trips down was being determined, he added.

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CAPT JOHN FALVEY, General Manager, AMHS, showed the AMHS "Aging Fleet" commercial ship status, hastening to point out ships were normally retired after 30-35 years of service. Starting with the oldest and moving to the newest: the Malaspina (mainliner built in 1963, the same year as the Matanuska) was currently laid up in Ketchikan due to approximately \$16 million needed in steel repair work. The Malaspina is the only ship with its original engines (58 years old), so their inevitable replacement along with any "discovery" steel work could cost more than \$50 million. The sister ship of the Malaspina, the Matanuska was one of two ships (the other being the Kennicott), built as a Safety of Life at Sea (SOLAS) ships, built to service International Port Prince Rupert. Captain Falvey imparted a tremendous amount of work had been done in the Matanuska's engine room, and between the re-power and SOLAS conversion, \$40 million was spent. Tustumena, at 57 years old, was in the shipyard almost one year receiving overhauls each year and having work done on small projects such as the restrooms, kitchen, tiling, and lighting, to keep the Tustumena running efficiently and safely.

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CAPT. FALVEY imparted the Le Conte, a 235 ft., 47-year-old ship historically operating out of Juneau, was receiving its annual overhaul and had no major issues. The Aurora was currently having hull steel and interior steel replaced in Ketchikan, he stated, as well as receiving its upgrades on "habitability" aspects. On time and on budget, the Aurora was set to go in water Thursday (March 4, 2021). He added PWS citizens would be happy to have the Aurora back. The Columbia, also 47 years old and the largest ship in the fleet, was currently in cost savings layup and set go in for overhaul in three weeks' time. Non-extensive steelwork needed to be done. Propellor systems on Columbia were unable to be replaced due to none big enough built in US, Captain Falvey stated. The same company that made engines on the Kennicott could install the new propellor system on the Columbia, and the latter should be good to go by winter 2022. The Kennicott, at 27 years old, is AMHS's newest mainliner, due in the water March 18th with no issues. The Lituya was the smallest ship, running from Ketchikan to Metlakatla five days per week. The smallest ship and the closest to break-even; the Lituya just finished its overhaul and would be completely repainted next year including decks sandblasted and recoated, as a federal project, by next summer.

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CAPT. FALVEY introduced the two newest ships in the fleet, the Tazlina and the Hubbard, both built in 2019. Both ships were going through overhaul and have had new doors installed so they will be more flexible when they were able to run again. The Hubbard has not been in operation due to budget; maintenance and extensive checks would have to be done. The Fairweather and Chenega, the two fast ferries, 17 and 16 years old respectively, were both for sale. Operations were ceased on the fast ferries because of cost, he put forth. Due to personnel needed and licensing, the fast ferries also struggled in Lynn Canal and Prince William Sound and didn't handle weather as well. Both carried as many people as the Le Conte and the Aurora but were much more expensive to run than the latter ships. There has been an international bid, a buyer from the Mediterranean working with a lawyer in Anchorage, on the fast ferries and two unused spare engines.

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REPRESENTATIVE SPOHNHOLZ said the Kennicott was 23 years old, not 27. She asked Captain Falvey to talk about SOLAS.

CAPT. FALVEY explained SOLAS was a set of international rules mainly in place for ships in the ocean to get to foreign ports required to have many more safety features, such as evacuation routes, in place. The catch with Prince Rupert, though it is an inland port, is a foreign country, so ships traveling through it must abide by SOLAS. The SOLAS ships were more expensive to build and to maintain, he added.

REPRESENTATIVE SPOHNHOLZ asked about ferry funding and sources for ferry repair.

CAPT. FALVEY said AMHS received \$23 million in federal funding per year for repair, plus the state match.

REPRESENTATIVE SPOHNHOLZ asked what the funding source was.

CAPT. FALVEY replied federal highways and, on occasion, federal transit.

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REPRESENTATIVE MCCABE asked about the doors on the Tazlina and Hubbard that had been done, and if the crew bunk installation on day ships was still being done.

CAPT. FALVEY replied yes, forward starboard doors on both the Tazlina and the Hubbard had been installed to make them more flexible in any port, with or without crew cabins. The Tazlina was operated with two back doors from Juneau to Haines to Skagway but it became awkward to maneuver vehicles with only back doors. Boats had both been built without crew quarters, he answered, but with quarters ships could run 24/7. Without cabins, they would fall into 12-hour days and would be much more restrictive in PWS and Juneau. Cabins have been designed, he stated.

REPRESENTATIVE MCCABE asked if the designed cabins would cut into revenue (car space on main deck, passenger seating), and whether that would affect revenue. He asked also about the 12-hour rule.

CAPT. FALVEY replied cabins would not affect revenue from passengers or cars, and that the 12-hour rule was a US rule that worked its way down to the Coast Guard.

REPRESENTATIVE MCCABE asked for more information on the regulations.

CAPT. FALVEY replied the regulations were a US requirement and that he would provide more information.

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REPRESENTATIVE HANNAN, referencing the Colombia's no-cost layup, asked, if the Malaspina would be sold, what was it costing to store/moor.

MR. MCLAREN replied it cost \$8K per week or \$400K per year for mooring costs, security, and utilities.

REPRESENTATIVE HANNAN asked how long the Malaspina had been laid up with AMHS paying for its storage.

MR. MCLAREN replied since mid-December 2019, so \$450K this fiscal year plus \$233K spent in past.

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REPRESENTATIVE SPOHNHOLZ asked what it would cost to build up crew quarters on the Tazlina and Hubbard.

CAPT. FALVEY replied around \$15 million per ship.

REPRESENTATIVE SPOHNHOLZ asked with regard to ensuring folks in upper Lynn Canal had consistent AMHS service, if there was a preferred alternative between retrofitting ships with cabins or creating another terminal at Cascade Point.

MR. CARPENTER replied the development of Cascade Point would work but it may be seasonal, and with a crew ships could run out of Auke Bay and Prince William Sound. That being said, he added, the two were not mutually exclusive.

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REPRESENTATIVE MCCABE asked how much adding crew increased operating cost per hour, and if the crew always had to equal the crew quarters if it was a day trip.

CAPT. FALVEY replied night crew would be on shore side so with or without the cabins the crew would not increase. He added it would be a matter of working with unions to get agreements needed to efficiently and cost effectively run the ships.

MR. MCLAREN replied there were challenges without crew quarters. With the distance from Juneau to Haines to Skagway with the Tazlina, crews were overnigheted in Haines which added about \$25K per week. Crew quarters would decrease that expense, runs could be made longer, and revenue increased as more ports could be accessed.

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CHAIR HOPKINS asked what would happen to revenue from the international sale.

CAPT. FALVEY replied the revenue would go back into federally eligible "pot." Permission was granted to AMHS from federal highways to sell the boats, and funds would report back to federal highways after the sales were complete.

CHAIR HOPKINS asked about the maintenance agreement between AMHS and Vigor Shipyard.

CAPT. FALVEY replied the maintenance agreement was renegotiated every three years, and when any ships were brought in for an overhaul there was a full crew doing work that would not be done by shipyards.

CHAIR HOPKINS asked if the crew was able to repair en route, in light of a complete overhaul.

CAPT. FALVEY replied yes, and the ship also needed to come in for licensing and certificate renewal, so it was a group effort.

CHAIR HOPKINS asked how the tasks were delineated.

CAPT. FALVEY replied it was based on need and they worked downward based on importance.

CHAIR HOPKINS asked if this was done with an eye toward cost savings, or how it was evaluated.

CAPT. FALVEY replied in terms of state overhauls they had to be done within the state.

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REPRESENTATIVE HANNAN asked after the long-term plan for the Tustumena.

CAPT. FALVEY replied the new Tustumena was at 60% completion and there was another year or so.

MR. CARPENTER replied once it was fully designed, coming up with the money was the tricky part. The new Tustumena penciled out about \$238 million non-SOLAS, he stated; SOLAS would add another \$46 million or so. Funding through highway system was about \$600 million a year and that serviced demands from all over the state, so there was a need to be creative about financing.

REPRESENTATIVE HANNAN asked how much money was in the vessel replacement fund currently and what was expected to be generated off the Chenega and Fairweather.

MR. CARPENTER replied \$19 million in now, \$2.5 million in the match set aside. He said the amount of the fast ferries' sale was not public yet.

REPRESENTATIVE HANNAN commented the fatal plane accident in Dutch Harbor 18 months ago made folks take a hard look at the number of people stuck with charter flights when there is private sector AMHS in existence, still no options.

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REPRESENTATIVE DRUMMOND asked if any thought had been given to an infrastructure plan vis a vis Washington and the Biden administration.

MR. CARPENTER replied yes, the infra-grant upwards of \$100 million and there was some "political sway" as to how they were handed out.

REPRESENTATIVE DRUMMOND suggested if AMHS was mentioned as one of the largest state-run highway systems in the nation, they might pay more attention.

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CHAIR HOPKINS asked if DOT&PF had looked at the possibility for electric ferries for shorter runs such as the Le Conte, Lituya, and Aurora.

CAPT. FALVEY replied AMHS had looked into battery technology for shorter runs, especially for the Lituya, but it would require "major work and redesign." He mentioned LNG engines were convertible.

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MR. MCLAREN referenced slide 8, "Historical Traffic and Operating Weeks," in which vehicle traffic history went back 30 years. The red line "bumping up and down" represented the number of operating weeks for the year, he stated. Vehicle traffic was consistent, passenger traffic has declined but remained constant vis a vis the number of operating weeks, he pointed out. Between 2004 and 2008 operating weeks jumped from 300 to 425 service weeks, he said, but passenger traffic did not go up the same during those years, he said.

CHAIR HOPKINS asked for a definition of operating weeks.

MR. MCLAREN replied it was a week a ship was operating, so if seven vessels were operating it counted as seven operating weeks, even if it was only one calendar week.

CHAIR HOPKINS asked for a schedule without the Lituya, so it was not skewed in that consistently traveling ship's direction.

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MR. MCLAREN referenced slide 9, with more detailed passenger detail from 2011-2020. Without the Lituya's 50 operating weeks, 33,000 passengers per year could be removed, but a new chart would be provided.

MR. MCLAREN moved on to slide 12, "Tariff Increase History." Increases since May 2015, part of recommendation was to levelize tariffs.

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REPRESENTATIVE HANNAN asked if "tariffs" were interchangeable with "fares."

MR. MCLAREN replied yes.

MR. MCLAREN introduced slide 13, "Dynamic Pricing." Table showed the amount of increase in fare above the base fare. The AMHS hasn't had a "traditional normal year" to look at numbers but has seen increase in revenue.

REPRESENTATIVE HANNAN asked if analysis has been done on the inverse of dynamic pricing, such as offering discounts if spots hadn't been filled, instead of charging more.

MR. MCLAREN replied it had come up, and other options would be looked at.

REPRESENTATIVE HANNAN related since dynamic pricing there have been a lot of complaints. When a trip was cancelled it was extra frustrating and didn't make sense. The fallout of default dynamic pricing was not the fault of the consumer, she stated.

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CHAIR HOPKINS asked what came out of the AMHS reshaping ferry group.

MR. CARPENTER replied AMHS was working on leveraging the road system toward Cascade Point, dynamic pricing, and other things.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:03 p.m.