

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

February 14, 2023

1:01 p.m.

MEMBERS PRESENT

Representative Kevin McCabe, Chair
Representative Sarah Vance, Vice Chair
Representative Tom McKay
Representative Craig Johnson
Representative Jesse Sumner
Representative Louise Stutes
Representative Genevieve Mina

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S) :

Board of Marine Pilots

James Cunningham - Homer

- CONFIRMATION(S) ADVANCED

PRESENTATION(S) : ALASKA MARINE HIGHWAY SYSTEM OVERVIEW

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JAMES CUNNINGHAM, Appointee
Board of Marine Pilots
Homer, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Marine Pilots.

KATHERINE KEITH, Deputy Commissioner
Alaska Department of Transportation & Public Facilities

Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint titled "Alaska Marine Highway System Overview."

CAPTAIN ANTHONY KARVELAS, Acting General Manager

Alaska Marine Highway System

Ketchikan, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled "Alaska Marine Highway System Overview."

DOM PANNONE, Administrative Services Director

Alaska Department of Transportation and Public Facilities

Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled "Alaska Marine Highway System Overview."

WAYNE PHILLIPS, Vessel Construction Manager; Capital Program Manager

Alaska Marine Highway System

Department of Transportation & Public Facilities

Ketchikan, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled "Alaska Marine Highway System Overview."

ACTION NARRATIVE

[1:01:51 PM](#)

CHAIR KEVIN MCCABE called the House Transportation Standing Committee meeting to order at 1:01 p.m. Representatives Vance, McKay, Sumner, Stutes, and McCabe were present at the call to order. Representatives Mina and C. Johnson arrived as the meeting was in progress.

CONFIRMATION HEARING(S): BOARD OF MARINE PILOTS

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CHAIR MCCABE announced that the first order of business would be the confirmation hearing on the governor's appointment to the Alaska Board of Marine Pilots.

CHAIR MCCABE cited AS 08.62 as relating to the Board of Marine Pilots and its duties. He invited James Cunningham to tell the committee a little about himself, his experience, and why he wants to serve on the Board of Marine Pilots.

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JAMES CUNNINGHAM, Appointee, Board of Marine Pilots, shared his personal, educational, and vocational background, including earning a bachelor's in science, in nautical science, and working his way up to being a captain. He noted that he became a full pilot in 2021.

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REPRESENTATIVE STUTES expressed her appreciation of what pilots do, their education, and their knowledge of waters.

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REPRESENTATIVE MINA commented that she is impressed with Mr. Cunningham's experience and asked if he had any involvement in community work or other service outside of his career.

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MR. CUNNINGHAM responded that there is a program in the Navy Reserves, [the Ready Reserve Force], for which he maintains his professional background, and can be called in to serve as a merchant marine. Beyond this, he said he hoped to "help out" more in the future, but his focus is currently on raising a family.

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REPRESENTATIVE STUTES asked about Mr. Cunningham's training to get his final captain's license, and if he was able to use any services of the Alaska Marine Highway System (AMHS).

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MR. CUNNINGHAM explained that part of the training is gaining local knowledge and required trips, and he confirmed that one of the avenues is utilizing the ferries to ride and "get your trips in."

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CHAIR MCCABE asked whether Mr. Cunningham had to pay to ride the ferries.

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MR. CUNNINGHAM replied yes, at a reduced fare.

CHAIR MCCABE thanked Mr. Cunningham.

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CHAIR MCCABE stated that in accordance with AS 39.05.080, the House Transportation Standing Committee has reviewed the qualifications of the governor's appointee and recommends the following name be forwarded to a joint session for consideration: James Cunningham, Board of Marine Pilots. He said that signing the report regarding the appointment to the board in no way reflects an individual member's approval or disapproval of the appointee, and the nomination is merely forwarded to the full legislature for confirmation or rejection.

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The committee took an at ease from 1:14 p.m. to 1:16 p.m.

PRESENTATION(S): ALASKA MARINE HIGHWAY SYSTEM OVERVIEW

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CHAIR MCCABE announced that the final order of business would be the Alaska Marine Highway System Overview presentation.

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KATHERINE KEITH, Deputy Commissioner, Alaska Department of Transportation and Public Facilities, joined via Teams to co-present the PowerPoint, titled "Alaska Marine Highway System Overview." She acknowledged the other presenters to follow.

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CAPTAIN ANTHONY KARVELAS, Acting General Manager, Alaska Marine Highway System (AMHS), joined via Teams and provided a brief introduction. He began the presentation on slide 2, titled "Where We Go," which shows the vast area AMHS covers. He noted the logistics of the operations is quite extensive and includes providing essential service to coastal communities by transporting people, vehicles, and freight, and he stressed the dependence the communities have on AMHS.

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MR. KARVELAS continued to slide 3, titled "Fleet Status," and provided a brief rundown of ships in service and maintenance status. He proceeded to slide 4, titled "Statistical Information: Passengers." The figures on the slide represent the passenger and vehicle count, and he pointed out the downward trend due to a labor strike, followed by the COVID-19 Pandemic, and crew shortages. He said AMHS is doing its best to recover. He pointed out the figures [on the chart] are slightly rebounding and opined the upward trend will continue.

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REPRESENTATIVE STUTES asked if the decrease in the ridership was due to undependability of the vessels due to maintenance issues.

MR. KARVELAS responded that is correct, explaining the difficulties with understaffing of engineers. The goal of AMHS is to work on the issue moving forward.

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MS. KEITH brought attention to the Alaska Marine Highway Operations Board (AMHOB), which kicked off in February 2022, and noted the information received from the public verified that reliability was a number one challenge. She explained the "stabilization phase" is the first of three phases going to recovery, and AMHS will continue to communicate with the public about the realities of the situation and the challenges, as well as build partnerships to find solutions.

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REPRESENTATIVE STUTES commented on AMHS being able to provide a schedule earlier and asked if the summer schedule had been released yet.

MS. KEITH responded it should be published on the coming Friday. She reiterated the shortage of crews as being one of the obstacles to providing a schedule earlier.

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REPRESENTATIVE VANCE reflected on the barriers of service to Homer and Seldovia. She commented on public interest in working with AMHS and asked how people can contact AMHS to make sure their applications are being received.

MS. KEITH responded that about five months ago AMHS had hired a consultant firm to assist in the onboarding process, and when applicants reach out, there are a number of ways to support them through the certifications that are required to become an AMHS employee. She noted the many steps that must be taken and the extra length of time for entry-level positions.

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REPRESENTATIVE MINA asked what the average retention is for different positions at AMHS.

MS. KEITH replied that a report containing the answers could be provided to the committee at a later date.

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CHAIR MCCABE asked if AMHS is on par with the rest of the industry that provides ferry services.

MS. KEITH responded that current AMHS staffing levels are not concrete and are more extreme than in the Lower 48. She noted the competitive employee package offered by AMHS and noted the potential for in-state recruitment.

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DOM PANNONE, Director, Administrative Services, Alaska Department of Transportation & Public Facilities, commented that one of the parts of the health check [shown on slide 7, titled "Charting The Course Towards Thriving Communities"], is the operating budget, and reiterated that the dip in 2019-2020 is now on a recovering trajectory. The funding level required to keep all ships in service is being looked at, as well as how much staff it takes to have a ship run.

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REPRESENTATIVE STUTES questioned how many of the ships Mr. Pannone anticipates will be in service.

MR. PANNONE replied that that will be determined as the budget is being crafted.

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MS. KEITH expanded on the answer and explained AMHS' current proposed operating budget is based on a selection of seven vessels operating throughout the year.

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CHAIR MCCABE asked which vessel is currently in lay-up.

MS. KEITH answered that the vessel currently in lay-up is the Motor Vessel (M/V) Matanuska, and the rest are in overhaul.

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REPRESENTATIVE VANCE asked what the operational plan is - knowing the yearly required maintenance - and what the overhaul plan would look like.

MS. KEITH responded that has been a topic at AMHS short-range and long-range planning discussions. She confirmed a following presenter can discuss the overhaul process and noted the current strategy to come up with backup plans.

REPRESENTATIVE VANCE asked about the success rate in the AMHS budget for supplemental service.

MS. KEITH explained AMHS is lucky to have partnerships with vendors in various places willing to work with them - and on a very last-minute basis. She also described the ability to plan ahead for supplemental services as being unsuccessful.

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REPRESENTATIVE STUTES commented on hiring vendors through a third-party contract and the ability of AMHS to screen them.

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CHAIR MCCABE brought up the AMHS collective bargaining agreement not allowing contracting to more than six villages/ports of call and asked if there were more now.

MS. KEITH responded that is correct, and in all other instances AMHS communicates with its union representatives to get the letters of agreement (LOAs) in hand.

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MR. PANNONE continued the presentation on slide 8, titled "CY24 AMHS Funding." He pointed out the difference in this budget from calendar year 2023 (CY 23) is that AMHS funded operational increases with system revenues approximately \$13.5 million. He continued on slide 9, titled "2024 Governor's Proposed Operating Budget," that featured a chart showing allocations of operating expenditures and funding.

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MR. PANNONE proceeded to slide 10, titled "Rural Ferry Service Grant & Timeline." He explained it is a timeline for context and awareness of the decisions that have been made around the newly created rural ferry grants that were a product of the bi-partisan infrastructure law.

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WAYNE PHILLIPS, Vessel Construction Manager; Capital Projects Manager, Alaska Marine Highway System, Department of Transportation & Public Facilities, joined the presentation on slide 11, "Fleet Health Check," which highlighted the modernization of the fleet and vessel availability. He proceeded to slide 12, titled "Aging Fleet."

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REPRESENTATIVE MINA asked how the average age of an AMHS vessel compares to the rest of the industry.

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MR. PHILLIPS responded that the answer is on slide 12, which showed AMHS's nine vessels and their ages. He continued to slide 13, titled "AMHS Reliability: Next Steps." He acknowledged AMHS does struggle with reliability, and that the vessels go through a rigorous U.S. Coast Guard inspection and overhaul process as well as other regulatory processes to ensure the safety of the vessels.

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MR. PHILLIPS noted he reached out to a consulting team to get an accurate estimate on what it would take to get the M/V Matanuska back in service.

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CHAIR MCCABE asked if the issue with the M/V Matanuska was steel or engines.

MR. PHILLIPS responded that the need for extensive steel work was found, as well as hazardous materials ("hazmat"), namely asbestos. He continued to slide 14, titled "FTA Awards: Vessel." Summaries of vessel modernization, vessel replacement, design of a new mainliner, and a climate responsive ferry option were shown and their award amounts.

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REPRESENTATIVE VANCE asked about the long-range plan on replacing older vessels in the fleet.

MR. PHILLIPS replied that his understanding is that a lot of the awards/grants have just "come down," and he does not have a solid breakdown of how and when it will happen.

REPRESENTATIVE VANCE commented that she looks at the long-range goal and how the state can be more successful. She suggested a picture of what the needs for the future are in replacing these vessels, as well as being fiscally responsible and responsible for the reliability of service.

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CHAIR MCCABE asked what the vision may be for the climate responsive ferry vessel operations.

MR. PHILLIPS responded it is in the very early stages and the design is not even done. The "best fit" must be decided on, and it may be more of a hybrid type ferry: both electric and diesel. He reiterated there is a grant in place to study this.

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MR. PHILLIPS continued his discussion on the M/V Columbia, M/V Matanuska, M/V Tazlina, and M/V Kennicott vessel modernizations.

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MR. PHILLIPS continued the presentation on slide 15, titled "FTA Awards: Docks." The slide featured ferry dock infrastructure in five rural Alaska communities - a \$45.5 million award - to increase the sustainability of AMHS port operations.

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MR. PHILLIPS quickly summarized dock, remodeling, and maintenance projects.

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MS. KEITH touched on the number of projects that are going on and the willingness of AMHS to summarize details in writing and submit them to the committee. She continued to slide 16, titled "Crew Health Check," and noted Mr. Karvelas would elaborate more on the status of the crew.

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MR. KARVELAS acknowledged AMHS is suffering an unprecedented shortage of employees - mainly crew. He stressed his appreciation for the openness of the commissioner's office, and its willingness to help resolve the issues of money and people. Further, he gave credit to the employees of AMHS, who often are held over to work extra shifts in order to keep the system running. He noted that AMHS is doubling down its efforts to find more crew by working on LOAs with the unions, a dedicated recruitment web page, more job fairs, and recruitment of high school kids with the goal of retention, to name a few.

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MR. KARVELAS continued to slide 17, titled "Crew Metrics," which highlighted fleetwide staffing levels on the left-hand side, and operating [the M/V Aurora] on the right-hand side. He reiterated employee retention and recognizing the pilot's organization as two key areas of focus for AMHS.

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CHAIR MCCABE asked what the age limit is for prospective employees in the ferry system and if the requirement is under the state or the U.S. Coast Guard.

MR. KARVELAS replied it is 18 years of age and a U.S. Coast Guard requirement. He proceeded to slide 18, titled "The Last Funtier," where he explained the benefits of visiting and, more so, living in Alaska.

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MS. KEITH rejoined the presentation on slide 19, titled "AMHS Comprehensive Evaluation." She noted the desire of AMHS to continue to perform at high levels, and that AMHS has gathered much useful information and recommendations on operational resiliency and efficiency.

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REPRESENTATIVE STUTES asked about the collaborative effort between AMHOB and AMHS in reference to a long-term sustainability plan.

MS. KEITH replied that AMHS and AMHOB are now into about a year of collaborative efforts with meetings occurring every other week. She also noted consultants on board to help with the preliminary effort, which is "phase two" of the long-range planning effort that also includes stakeholder engagement.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:40 p.m.