

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

February 2, 2023

1:31 p.m.

**MEMBERS PRESENT**

Senator James Kaufman, Chair  
Senator David Wilson, Vice Chair  
Senator Löki Tobin  
Senator Jesse Kiehl  
Senator Robert Myers

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative Rebecca Himschoot

**COMMITTEE CALENDAR**

PRESENTATION: THE ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM

-HEARD

PRESENTATION: THE ALASKA MARINE HIGHWAY OPERATIONS BOARD (AMHOB).

-HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record.

**WITNESS REGISTER**

KATHERINE KEITH, Deputy Commissioner  
Office of the Commissioner  
Department of Transportation and Public Facilities  
Anchorage, Alaska

**POSITION STATEMENT:** Informed the committee about challenges facing the Alaska Marine Highway System.

MATT MCLAREN, Business Development Manager

Marine Highway System  
Department of Transportation and Public Facilities (DOTPF)  
Ketchikan, Alaska

**POSITION STATEMENT:** Answered questions about the budget during the overview of the Alaska Marine Highway System.

SHIRLEY MARQUARDT, Chair  
Alaska Marine Highway Operations Board  
Department of Transportation and Public Facilities (DOTPF)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided an overview of the Alaska Marine Highway Operations Board.

WANETTA AYERS, Vice Chair  
Alaska Marine Highway Operations Board  
Department of Transportation and Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of the Alaska Marine Highway Operations Board.

CAPTAIN KEITH HILLARD, Board Member  
Alaska Marine Highway Operations Board  
Department of Transportation and Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as an Alaska Marine Highway Board Member.

CAPTAIN ED PAGE, Board Member  
Alaska Marine Highway Operations Board  
Department of Transportation and Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as an Alaska Marine Highway Board Member.

#### **ACTION NARRATIVE**

[1:31:27 PM](#)

**CHAIR JAMES KAUFMAN** called the Senate Transportation Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Wilson, Kiehl, Tobin, Myers, and Chair Kaufman.

#### **PRESENTATION: ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM**

[1:32:29 PM](#)

CHAIR KAUFMAN announced an overview from the Alaska Department of Transportation and Public Facilities (DOTPF) related to the Alaska Marine Highway System. He noted that the Alaska Marine Highway System (AMHS) provides critical transportation infrastructure for a segment of Alaskans living with limited access. The system is facing tremendous challenges, which will be detailed in today's meeting.

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KATHERINE KEITH, Deputy Commissioner, Office of the Commissioner, Department of Transportation and Public Facilities, Anchorage, Alaska, informed the committee about challenges faced by the Alaska Marine Highway System.

MS. KEITH spoke about organizational changes within AMHS. She acknowledged Captain John Falvey and his recent retirement from the general manager position. Succession planning is underway for multiple programs.

MS. KEITH reviewed slide 2: Alaska Marine Highway Operations Board (AMHOB). Board members would participate in the hearing later this afternoon. She noted she held the one appointed seat existed on the board. The board was tasked to work with the department to seek improvements across AMHS.

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CHAIR KAUFMAN recalled a statute passed in 2021 leading to creation of the board. He asked about the department's progress with short and long-term plans since the legislation passed.

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MS. KEITH replied that the board began meeting bi-weekly in February 2022 and met regularly in-person. She initially served as the board liaison until she transitioned to board member. She announced concurrent planning efforts within the department. The long-range comprehensive planning effort included the expertise of a consultant. She expressed satisfaction with the established long-range plan. The board identified goals and the work ahead is significant.

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MS. KEITH discussed slide 3: AMHOB Topics of Purview.

- Operation and management of AMHS
- Business to enhance revenue and reduce costs
- Personnel management

- Commercial service options
- Ship maintenance, construction, and repair
- Fleet strategy
- Reliability
- Regulatory Compliance
- Other service objectives

[1:40:51 PM](#)

MS. KEITH reviewed slide 4: Alaska Comprehensive Evaluation.

- Task 1. Preliminary Survey and Project Work Plan
- Task 2. Operational Resiliency and Efficiency Analysis
- Task 3: Information Technology Analysis
- Task 4: Fleet Maintenance Evaluation
- Task 5: Financial Vitality and Resiliency Analysis

MS. KEITH continued with slide 5: 50+ Interviews, 100+ Documents Reviewed. She explained that the department staff sought recommendations from ship, terminal, and engineering staff for short and long-term improvements. Every vessel except the Tustumena was visited and over 50 interviews were conducted. She stated that four reports resulted. These reports would soon be available to AMHOB, the department and the committee.

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CHAIR KAUFMAN expressed interest in the reports.

SENATOR TOBIN asked about quick wins.

MS. KEITH replied that quick wins include the labeling of materials on board the vessels and the development of process guides. She mentioned ongoing newsletters as another example of a quick win.

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CAPTAIN TONY KARVELAS, Acting Alaska Marine Highway System General Manager, Juneau, Alaska spoke about the Alaska Marine Highway System. He provided some personal and professional history. He expressed his belief that AMHS was important to Alaska and its people. He noted the value of the marine highway in helping underserved communities.

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CAPTAIN KARVELAS addressed slide 7: Aging Fleet. He spoke about the aging vessels and offered some history. He stated that the Tustumena needed to be replaced as it operated on the open ocean and was 58 years old. He noted that the Malaspina was sold to the Ward Cove Group for future use as a crew training platform.

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CHAIR KAUFMAN asked if the new vessels were suitably reflective of the fleet.

CAPTAIN KARVELAS replied in the affirmative.

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CAPTAIN KARVELAS discussed slide 8: Fleet Status. He communicated that the vessels were in various stages of repair, upgrade, overhaul, and service.

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SENATOR KIEHL asked about the use of the Malaspina as a training vessel. He wondered if the vessel would travel or remain in Ward Cove for training purposes.

CAPTAIN KARVELAS replied that he was working with the vessel owners to compose a service contract. He was unsure about the cost. He mentioned the standard equipment on vessels, which provides an optimal training environment. He spoke to the various credentialing requirements for work on the vessels.

SENATOR KIEHL appreciated the training options. He reminded the committee that the state owned the Malaspina only eight months ago.

CAPTAIN KARVELAS responded that the ships were expensive to retain and maintain. The older a ship is, the more money it costs to maintain. Retaining the ship is far more expensive than the cost of a contract with the new owner for training purposes.

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SENATOR KIEHL requested a detailed comparison of the costs.

CHAIR KAUFMAN announced that Representative Himschoot entered the room.

CAPTAIN KARVELAS continued with slide 9: Statistical Information: Passengers. He pointed out that AMHS rolled out of a labor strike and into a pandemic. He spoke to the displayed upward trend and the resiliency of AMHS.

CHAIR KAUFMAN agreed that the short-term rebound was apparent, however, the overall trend was downward. He wondered about Southeast ridership and whether AMHS and the legislature were properly reacting with route structure and ship design.

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CAPTAIN KARVELAS replied that the commissioner's office was engaged in the proposed strategies regarding the needs of AMHS. He noted additional support from AMHOB and the commissioner's office.

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CHAIR KAUFMAN revisited the deregulation of the airline industry in 1978. He believed that Alaska must think similarly to allow the communities in need to receive the highest value at the lowest cost.

CHAIR KAUFMAN asked about the changes and outreach mentioned. He asked about reliable mechanisms to pull people into the system-design conversations.

MS. KEITH replied that online tools existed to access information and opinions in the form of public comment. She stated that the amount of feedback received was extensive. She acknowledged the challenge of making changes with the information collected.

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SENATOR TOBIN commented about her experience living in rural Alaska. She wished to see correlating data related to price and route changes that might further explain the graph.

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CHAIR KAUFMAN suspected that the availability of air travel might contribute to the findings.

MS. KEITH replied that changes in AMHS staff led to an eagerness to meet the community needs. She looked forward to the infrastructure investments coming through the Federal Transit Administration. She informed the committee that AMHOB would meet tomorrow.

[2:03:10 PM](#)

MS. KEITH asserted that AMHS wished to increase the system's transparency. She referred to slide 11: Charting the Course Toward Thriving Communities, Reimagining AMHS. The slide

depicted three phases: stabilization, recovery and full steam ahead. She explained that AMHS was in the stabilization phase. She noted the elimination of dynamic pricing based on several complaints. Travel policies related to cancelations were adjusted. Crew, budget, and fleet provided different components of the stabilization phase.

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MATT MCLAREN, Business Development Manager, Marine Highway System, Department of Transportation and Public Facilities (DOTPF), Ketchikan, Alaska spoke about the AMHS budget. He reviewed slide 13: Charting the Course Towards Thriving Communities. He spoke to the budgetary concerns.

MR. MCLAREN referred to slide 14: CY24 Governor's Proposed Operating Budget. He declared that spending costs were \$143.8 million. The Infrastructure Investment and Jobs Act (IIJA) funds were accounted for. The state match portion required further committee efforts.

CHAIR KAUFMAN cited \$285 million in infrastructure funds.

Mr. MCLAREN concurred. He continued with slide 15, FY2022 Operating Expenditures. He pointed to \$106.4 million in operating expenditures and \$31.3 million in revenues. He commented on the gradual recovery following the pandemic. He anticipated better numbers for FY23.

SENATOR KIEHL asked for a breakdown of ticket versus vehicle sales.

MR. MCLAREN replied that vehicle sales provide the primary portion of revenue. He would provide the committee an accurate breakdown.

[2:09:27 PM](#)

MS. KEITH continued with slide 17: FTA Awards Vessels. She highlighted the Federal Transit Authority's award of \$285.6 million.

**Vessel Modernization—\$72 million award**

- Columbia - modernization
- Matanuska—modernization
- Tazlina—increased route options
- Kennicott—improved environmental considerations

**Vessel Replacement– Tustumena Replacement Vessel–\$68.5 million award**

- Includes design updates of propulsion system, for safer, more efficient, public transportation

**Design of a New Alaska Mainliner--\$8.5 million award**

Supports the early steps for capital replacement of a mainliner for continued service to SE Alaska.

**Climate Responsive Ferry Vessel Options–\$46 million award** Increase service, efficiency, and sustainability of Alaska Ferry System for rural port communities.

CHAIR KAUFMAN commented that the long-term planning process is still in progress.

MS. KEITH replied in the affirmative. She noted that clear needs for the system overrode the need for a long-term plan. The Tustumena replacement vessel had been in process before the funding opportunity became available. She spoke about the plan. She stated that the intensive design process would provide more information. She mentioned the low-emission ferry and its design. She discussed various plans for the upcoming projects.

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CHAIR KAUFMAN stressed that long-term planning was crucial to success.

[2:15:17 PM](#)

SENATOR WILSON asked about the timeframe for the design of a new mainliner and why \$8.5 million was awarded for the design.

MS. KEITH replied that \$8.5 million for the design of a new mainliner was an approximation. The design for the Tustumena replacement was approximately \$13 million.

SENATOR WILSON asked for additional information about the \$8.5 million design cost.

MS. KEITH offered to provide additional details to the committee.

[2:17:03 PM](#)

MS. KEITH spoke to slide 18, "FTA Awards: Docks."

Ferry Dock Infrastructure in Five Rural Alaska Communities- \$45.5 million award

**Increase the sustainability of five current rural AMHS port operations, project will upgrade dock infrastructure in Juneau and Cordova, and replace current docks in Pelican, Tatitlek, and Chenega.**

- Prince William Sound Dock Modifications—\$29.3 million award
- Prince William Sound Economic Development District is primary, DOTPF&PF assisted in partnerships
- Tatitlek \$10.5m
- Chenega \$12.6m
- Cordova \$6.2 million

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MS. KEITH continued with slides 19-20 quickly. The health of the fleet was monitored with a good handle on the asset management system. She reported a backlog of \$159 million in maintenance needs. The federal funding would address many of the needs.

[2:18:43 PM](#)

SENATOR WILSON asked about crew training. He wondered if all the ships operate at the same time.

MR. MCLAREN responded that the current schedule did not have all ships running. He explained that the challenge was not the budget, but rather, the crew availability. He spoke about the benefits of adding the crew quarters to the new ships. He pointed out that the governor's budget provided for operation of all ships. Required overhauls excluded some vessels from the fleet temporarily.

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SENATOR WILSON asked if a training opportunity might be available when a ship was overhauled. He expressed concern about paying for contracts rather than utilizing ships undergoing overhaul.

CHAIR KAUFMAN expressed interest in the equipment utilization factor. The committee wished to understand the utilization target.

[2:21:30 PM](#)

SENATOR KIEHL asked about the graph on slide 20: Cost per Vessel by Urgency.

MS. KEITH described the graph, explaining that the items in red displayed high priority items. The green and yellow referred to those items requiring correction.

SENATOR KIEHL appreciated the slide and its depiction of the urgent and lower-priority investment rankings.

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MS. KEITH discussed Slide 22: Engineering Process Goals. She stated that engineers strive to adhere to a comprehensive work plan.

MS. KEITH reviewed Slide 23: Crew Heath Check. She spoke about forecasting crew shortage. She wished to be strategic and would provide additional information later.

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SENATOR KIEHL asked about staffing needs related to vessel pilots.

SENATOR TOBIN requested a data point for all workplace injuries. She wondered about a correlation between injuries and deferred maintenance costs.

MS. KEITH agreed to provide the information to the committee. She spoke about a robust safety program within AMHS. She responded to Senator Kiehl about staffing stating the goal of joining an Embark program for acceptance of interns and cadets.

[2:28:00 PM](#)

SENATOR WILSON commented about the Alaska Vocational Technical Center (AVTEC) training program in Seward. He hoped the program was utilized for marine pilot training.

MS. KEITH concluded with slide 26, The last FUNtier. She highlighted the focus on specific training needs while remembering the "fun" aspect of traveling with the Alaska Marine Highway System.

[2:29:39 PM](#)

CHAIR KAUFMAN noted that the committee is requesting additional information with the purpose of improving the system. He appreciated the department's cooperative approach.

[2:31:02 PM](#)

At ease

**PRESENTATION: ALASKA MARINE HIGHWAY OPERATIONS BOARD (AMHOB)**

[2:32:22 PM](#)

CHAIR KAUFMAN reconvened the meeting and announced the Alaska Marine Highway Operations Board presentation.

[2:32:52 PM](#)

SHIRLEY MARQUARDT, Chair, Alaska Marine Highway Operations Board, Department of Transportation and Public Facilities (DOTPF), Anchorage, Alaska, introduced herself.

WANETTA AYERS, Vice Chair, Alaska Marine Highway Operations Board, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, introduced herself.

MS. MARQUARDT informed the committee about the time commitment required for board participation.

[2:35:47 PM](#)

MS. MARQUARDT spoke about the changes in the advisory board following the passage of House Bill 63. She spoke about the intermodal plan. She pointed out the slow-moving process and the dark place the system was in. She hoped that the new funding opportunities would allow the planners in the department to streamline the processes. She added that she saw the first design of the Tustumena in 2006 and it was not yet operational. She saw the absence of a long-range plan as the reason for slow progress. She pointed out the absence of a vessel replacement framework. She mentioned that British Columbia built ships in two years. She spoke about shifting management decisions based on annual operating and maintenance budgets. The budgets provide one year of certainty for scheduling routes, maintenance, and personnel.

MS. MARQUARDT expressed concern about ongoing crisis management with vessels, maintenance, engineering team, and crew availability. She added the issue of significantly low systemwide morale. With no vessel replacement plan in place, critical crew, management, terminal operators and engineers are looking elsewhere, and there are positions open in every maritime industry in the country.

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MS. MARQUARDT relayed that AMHS requires experienced, strong, and focused leadership to utilize the future long-range plan. She spoke about matching funds from the state being critical to the sustainability of the system. Timing is critical. She highlighted the importance of system stabilization. The board strongly encouraged matching funds for IIGA grants that fit in a long-range plan for AMHS.

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MS. AYERS stated that she and Ms. Marquardt both served on various bodies related to AMHS over the years. She saw AMHS as a critical symbol of the state. She believed that AMHS provides a critical intermodal transportation link. She noted that the system was in a time of challenge and opportunity. She hoped to address the challenges, however, the stabilization efforts are paramount. She clarified that a long-term plan was necessary to define the components of the system. She spoke about the consistent measurements of success.

[2:48:38 PM](#)

CHAIR KAUFMAN reviewed House Bill 63 and the creation of the board providing AMHS expertise. He spoke about the effective language in the bill and wondered if the legislature might offer further improvement.

MS. AYERS replied that the board was in the process of "forming, storming, and norming" processes. She noted the period of challenge and opportunity with a quick procession. She believed that the bill's intentions were well-understood; however, the legislature's level of resources and responsiveness presented challenges. She mentioned the board meeting tomorrow in Juneau. A legislative report would follow the meeting.

[2:52:16 PM](#)

SENATOR MYERS expressed concern about the initial decision to establish a one-year plan before the establishing a long-term plan.

MS. MARQUARDT replied that the long-range planning process was new to the staff. The board shared his concerns. She pointed out that the new board members required significant education and preparation during the initial meetings last year. She credited the board with initiating the process of long-range planning in October of 2022. The plan will be incorporated into the upcoming board report for the legislature. She spoke about the importance of short-term needs limited by information the board of volunteers receive. She spoke about the agency's practices and

their relation to board practices. She mentioned succession planning for the general manager position. She noted that the board must work in partnership with the department to formulate recommendations for AMHS.

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SENATOR KIEHL asked about AMHOB operation costs, maintenance needs, and inventories.

[2:58:42 PM](#)

MS. AYERS replied that the board made progress obtaining information in advance. She revisited Senator Myers's question and spoke about the board and department's parallel paths. She hoped to think more strategically. She agreed that the board and the department encountered friction regarding the availability and timeliness of information sharing. She hoped that system measurement and management would become the board's focus. She spoke about recent board discussions related to Cascade Point.

[3:01:47 PM](#)

SENATOR KIEHL made a card game analogy.

SENATOR TOBIN wondered about House Bill 63 and the board's recommendations. She asked if the report would include those recommendations.

MS. MARQUARDT replied yes. She noted the gravity of responsibility placed on each board member because of the passage of House Bill 63. She responded to Senator Kiehl about the board's request for more information from AMHS in Ketchikan. The Ketchikan team arrived at various long-range plans but did not have the authority to proceed.

[3:04:13 PM](#)

CHAIR KAUFMAN clarified that the department's short-term plan addressed the long-term vision and goals. He mentioned the bill's allowance for corrective action reports. He added the bill's requirement for core competencies and the creation of a self-improving board. Competency gaps must be stated in reports.

[3:06:08 PM](#)

At ease

[3:06:48 PM](#)

CHAIR KAUFMAN reconvened the meeting.

CAPTAIN KEITH HILLARD, Board Member, Alaska Marine Highway Operations Board, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, spoke as an AMHOB member and Juneau resident. He spoke about the system's history and recent congressional efforts. He stated that AMHS desperately needed two new mainliners. Vessels must be interchangeable. He spoke about various vessels and stressed the need for additional ferry boats. He read about the disruption to marine travel and the essential economic and medical needs of the various communities.

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CAPTAIN HILLARD stressed that the system needed new vessels. He highlighted the key challenges for the regions.

CHAIR KAUFMAN responded that the committee thoroughly understood the issue of need.

[3:10:03 PM](#)

CAPTAIN HILLARD spoke about the lack of crew and problems moving forward. He spoke about the short and long-term planning efforts. He encouraged assessing the short-term plan first.

[3:10:55 PM](#)

CAPTAIN ED PAGE, Board Member, Alaska Marine Highway Operations Board, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska testified about AMHOB. He expressed concern about AMHS and was happy to serve on the board. He talked about his time serving around the world and viewing various methods of operation.

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CHAIR KAUFMAN thanked Captain Page.

CAPTAIN HILLARD commented on the budget request of \$25 million for upgrades, crew quarters, and a galley for the Tazlina.

[3:14:40 PM](#)

There being no further business to come before the committee, Chair Kaufman adjourned the Senate Transportation Standing Committee meeting at 3:14 p.m.