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310

SENATE STATE AFFAIRS COMMITTEE

CS
BILL NUMBER SB 310

SPONSOR Transportation Committee

BILL TITLE Ferries, Ferry Terminals and establishing
the AK. Marine Highway Authority

DATE REFERRED 2.9.90

HEARING SCHEDULED 3.16.90

FISCAL NOTE PREPARED DOT - update requested by Charlie. 3.10.90

SPONSOR CONTACTED Jones - Charlie

INTERESTED PARTIES CONTACTED

• DOT - Katie McHugh - Position Paper -> Charlie Miller
Jim Ayers:

OTHER

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot
RE: Friday, March 16 Committee Hearing
DATE: March 15, 1990

On Friday, March 16 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:
TELECONFERENCE; Public testimony.

CSSB 310. An Act relating to the Alaska Marine Highway System Commission. Originally, SB 310 established an authority to operate and manage the Alaska Marine Highway System (AMHS), with a legal existence independent of and separate from state government. The proposed CS would establish a seven member commission, within DOT/PF, to hire the director, to set policy and to make recommendations regarding operation of AMHS. The commission will be charged with developing and updating a long-range plan. The proposed CS combines elements of SB 310 and SB 473, Senator Duncan's bill which proposed a 5 member commission.

CSSB 485. An Act relating to the Telecommunications Information Council and the provisions of information services by the Department of Administration. The proposed CS adds a public member to the Telecommunications Information Council (TIC) and adds two non-voting legislators. The major provisions are to establish an improved tracking system of information services revenues and expenditures, to allow for a review and approval process of fees and surcharges by the TIC and to define requests for services and expenditures in annual budget requests. This is the second hearing for SB 485, the Department of Administration has clarified that it is in support of this bill.

CSSB 222. An Act relating to smoking in certain vehicles and indoor places. Current smoking law specifies certain public places and vehicles in which smoking must be regulated by designating smoking and non-smoking areas and prohibits all smoking in certain areas i.e. elevators. This bill adds the following to the "designated" areas list: interstate flights, post-secondary educational institutions and adult day care facilities, correctional facilities and a Pioneers Home. This bill would add to the "prohibited areas" list: elementary schools, pre-schools, daycare facilities (during hours of operation in private residences), state meeting rooms, health care related areas i.e. doctor's waiting rooms, hospital lobbies. CSSB 222 also requires consideration of non-smokers needs when designating a smoking area and repeals the statute that gives the Rules Committees the authority to designate smoking and non-smoking areas.

Alaska State Legislature



SENATOR JIM DUNCAN

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COMMITTEES:
FINANCE
VICE CHAIR —
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

TO: SENATOR PAT POURCHOT
CHAIR
SENATE STATE AFFAIRS COMMITTEE

FROM: SENATOR ~~JIM DUNCAN~~

REGARDS: CS SB 310

DATE: MARCH 14, 1990

I URGE FAVORABLE CONSIDERATION OF THE PROPOSED COMMITTEE SUBSTITUTE FOR SENATE BILL 310 BY THE SENATE STATE AFFAIRS COMMITTEE.

THE ORIGINAL INTENT OF SB 310 AS INTRODUCED BY SENATOR LLOYD JONES WAS TO ESTABLISH THE MARINE HIGHWAY SYSTEM AS AN INDEPENDENT AUTHORITY. LEGISLATION I INTRODUCED THIS YEAR ENVISIONED A LESS DRAMATIC STEP. SB 473 CALLED FOR A COMMISSION APPOINTED BY THE GOVERNOR WHO WOULD IN TURN APPOINT THE SYSTEM DIRECTOR.

THE PROPOSED COMMITTEE SUBSTITUTE COMBINES SENATE BILLS 310 AND 473. ITS ENVISIONED AS AN ACHIEVABLE, INITIAL STEP FOR STABILIZING SYSTEM MANAGEMENT.

THIS APPROACH WILL PROVIDE CONTINUITY OF MANAGEMENT IN ORDER TO PROMOTE EFFICIENCY IN THE OPERATION OF THE SYSTEM. CURRENTLY, SYSTEM MANAGEMENT CHANGES WITH EACH CHANGE IN THE STATE ADMINISTRATION AND OFTEN TIMES MORE FREQUENTLY. THIS MEASURE IS INTENDED TO PROVIDE AN OVERLAPPING OF SYSTEM MANAGEMENT FROM ONE ADMINISTRATION TO THE NEXT. THIS IS A NECESSARY STEP TO ALLOW MANAGEMENT TO DEAL WITH THE IMPORTANT ISSUES NOW FACING THE SYSTEM. THERE'S A NEED FOR LONG TERM PLANNING, MAINTAINING AN ADEQUATE LEVEL OF FUNDING, IMPROVING SERVICE, AND DEVELOPING A PLAN FOR REPLACEMENT OR REFURBISHMENT OF THE FLEET. STRONG AND LONG TERM MANAGEMENT BETTER INSULATED FROM THE POLITICAL PROCESS IS NEEDED TO DEAL WITH THESE ISSUES.

THE BLENDING OF SB 310 AND SB 473 INTO THE PROPOSED COMMITTEE SUBSTITUTE BEFORE THE STATE AFFAIRS COMMITTEE FOR CONSIDERATION IS AN EXCELLENT WAY TO PROVIDE THE CONTINUITY IN MANAGEMENT NEEDED TO ADDRESS THE ISSUES AND CONCERNS NOW FACING THE ALASKA MARINE HIGHWAY SYSTEM.

Amendment passed: effective date Jan. 1, 1991 (Kelly amendment)



Greater Ketchikan Chamber of Commerce

P.O. Box 5957, Ketchikan, Alaska 99901

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ALASKA MARINE HIGHWAY SYSTEM RESOLUTION

WHEREAS: the Alaska Marine Highway System was created by the people of Alaska to provide a transportation system for and through coastal Alaska; and

WHEREAS: the Alaska Marine Highway System is the primary mode of transportation to towns, villages and cities located along the vast coastline; and

WHEREAS: the economies and the well-being of the people of these communities as well as interior communities, are heavily dependent upon the services provided by the Alaska Marine Highway System; and

WHEREAS: the enhancement of existing industries, such as fisheries, tourism, timber, mining and commerce, is dependent upon adequate and consistent marine transportation; and

WHEREAS: tourism and freight demand for the Alaska Marine Highway System continue to grow, even during the decline of other sectors of the economy; and

WHEREAS: a decrease in the service of the Alaska Marine Highway System causes the economies of coastal communities to slow down and suffer; and

WHEREAS: the Alaska Marine Highway System returns more than 60% of the funds appropriated for its use to the State treasury, after creating jobs and providing services to Alaskans in a myriad of ways; and

WHEREAS: the Alaska Marine Highway System is in dire need of redirection; and

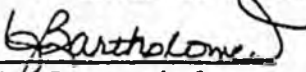
WHEREAS: unless prompt action is taken to address the overall problems of the Alaska Marine Highway System, no amount of maintenance management will prevent the demise of one of Alaska's major assets; and

WHEREAS: because the ferry fleet is an integral part of the Department of Transportation and Public Facilities, its administration and directives are essentially political rather than business oriented; and

WHEREAS: the Alaska Marine Highway System should be permitted to manage its cash flow and operate in a business-like manner, rather than being dependent for 100% of its funding from the General Fund;

THEREFORE, BE IT RESOLVED: the Greater Ketchikan Chamber of Commerce recommends that the Alaska State Chamber of Commerce urge the Alaska State Legislature to establish an Alaska Marine Highway Authority as a public corporation of the State within the Department of Transportation and Public Facilities.

DATED AT KETCHIKAN, ALASKA this 7th day of November, 1989.


L. J. Bartholomew
President
Greater Ketchikan Chamber of Commerce



Ketchikan Resolution

ALASKA STATE LEGISLATURE

While in Ketchikan
352 Front Street
Ketchikan, AK 99901
907-225-9675



While in Juneau
P.O. Box V
Juneau, AK 99611
907-465-3743

Senator Lloyd Jones

March 19, 1990

MEMORANDUM

To: Senator Pourchot, Chairman
Senate State Affairs Committee

From: Senator Jones *LJ*

Subj: CSSB 310

The committee substitute bill SB 310 would establish a seven member commission to hire the director of the Alaska Marine Highway System and set long term policies, as well as give advice and recommendations on operation of the ferries. The system would remain within DOT/PF.

This new measure will give the AMHS a more consistent management structure that will be needed to cope with the many challenges and opportunities on the system's horizon. Many serious issues will have to be dealt with in the coming years. Vessel replacement and/or refurbishment, other capital investment necessities, dwindling State revenues that will impact funding for all programs, and long range planning needs are just some of these important concerns.

Replacing the director with every change in the Commissioner of DOT/PF or Governor's office simply does not allow continuity of direction, management or purpose. The director must be assured of the opportunity to not only implement positive changes in the system, but the time and resources to carry them out.

With this in mind, Senator Duncan and I have been working on the draft committee substitute for SB 310. The new bill combines elements of SB 310 and SB 473, different measures that address the problems of disjointed long term policy and inconsistent management of the Alaska Marine Highway System. We feel that this new legislation is a positive and achievable step towards ensuring a better management function for our ferries.

Hired by AK. Marine Hwy —

AKERS REPORT

Summer, 1989
AKERS Marine Consulting Cos

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1. PROFESSIONAL SERVICE
COMMODITY/SERVICE

DOCUMENT TYPE	3. TRACKING NUMBER	4. DEPARTMENT NUMBER	5. MAIL STOP	6. COMMODITY OR SERVICE CODE NUMBER
ASPS <input type="checkbox"/> ITB <input type="checkbox"/> CA <input type="checkbox"/> PO <input type="checkbox"/> DO <input type="checkbox"/>				

CONTRACTOR: _____

ESTIMATED DOLLAR AMOUNT OF THIS PROCUREMENT (INCLUDE ALL RENEWAL OPTIONS): \$ _____

REQUEST FOR ALTERNATE PROCUREMENT (RAP) NUMBER: _____

TYPE OF THE PROCUREMENT: a. COMPETITIVE SEALED BID e. LIMITED COMPETITION
b. COMPETITIVE SEALED PROPOSAL d. SOLE SOURCE
c. EMERGENCY

RESULTING IN AN: f. INITIAL CONTRACT
g. AMENDMENT NO. _____
h. OPTION RENEWAL NO. _____

DATE OF AWARD: _____
(MUST BE COMPLETED)

PERIOD OF PERFORMANCE: FROM: _____ TO: _____
(INCLUDE ALL RENEWAL OPTIONS) (MONTH/YEAR) (MONTH/YEAR)

PROCUREMENT AWARDED IN-STATE: YES NO

ITEM OR SERVICE PROVIDED BY PROCUREMENT (What and Where):

PROCUREMENT OFFICER: _____ TELEPHONE: _____

1 -- INTRODUCTION

As one aspect of assessing cost control within the Alaska Marine Highway System (AMHS) Acres is undertaking a feasibility study into a maintenance management system (MMS).

The second report in this study is a Component Review of the AMHS that discusses current systems and practices and identifies changes that may be needed in order to enable an MMS to be introduced.

2 - EXECUTIVE SUMMARY

The AMHS is a system in dire need of redirection. Unless prompt action is taken to address its overall problems, no amount of maintenance management will prevent the demise of one of Alaska's major assets - the Marine Highway.

The system cannot be run as an adjunct to the bureaucratic process, dependent for 100% of its funding from the General Fund and not being permitted to manage its cash flow and operate in a business like manner. Unless separation can be achieved from DOTPF the condition of the fleet both physically and in terms of morale will continue to deteriorate.

2.1 - AMHS Management

Management of the AMHS must be established to manage a ferry fleet - not a Federal Highways program. It is essential that adequate expertise, effort and direction be available to run the vessels, which are after all the backbone of the system. A comparison of current management and an outline of an appropriate management structure and justification is provided in section 3.1.

2.2 - Accounting System

Efforts are being made, in which Acres has been involved, to redirect the capture and reporting of financial data within an appropriate chart of accounts. Without the ability to record and analyze cost and revenue data within logical areas, management cannot function.

An overview of an outline chart of accounts, and a discussion of the need for such an organization of cost and revenue capture is provided in section 3.2.

2.3 - Procurement

Unlike roads and terminals, a shipping operation is dynamic and as such requires its managers to respond promptly to operational needs. The procurement system under which the AMHS operates creates both time delays and needless increased costs. There are mechanisms by which the AMHS can meet the prerogatives of state purchasing policy, and at the same time operate the fleet efficiently. Section 3.3 addresses this issue.

2.4 - Current Maintenance Practices

2.4.1 - Ship

Essentially the chief engineers along with the senior heads of departments have had ultimate responsibility for keeping the ships operating. Shore operational staff have been and are unable, because of limited resources, to do other than respond to emergencies and provide temporary band aids to shipboard problems.

Thus each ship has had to develop maintenance procedures that are responsive to the unique needs of the vessel, and the chief engineer's perception of its maintenance requirements. This has been possible only because of the very low turnover of AMH crews. However it has resulted in individually effective policies that are non-portable between vessels, and are only incidentally responsive to the needs of the system as a whole.

2.4.2 - Shore

Shore maintenance requirements are presently limited because of the replacement of existing facilities has only recently been completed. However needs of the newer sophisticated systems will begin to grow in the next 2-3 years and the current organization is unlikely to be able to cope.

Section 3.4 addresses current maintenance practices.

2.5 - Management/Staff Relationships

There is an extraordinary degree of mistrust between ship and shore that has its root in the overall relationship between management and staff.

Ship systems and operations cannot function in isolation from the shore, both are interdependent. There must therefore be an effective dialogue between the two, outside of contract negotiations. Planning forums for the ship to understand managements prerogatives, and the shore to respond to ongoing needs of each vessel are essential.

The division of the two into employer and employee camps must cease and ship personnel be made fully aware that their input to both the short and long term planning process is both understood and appreciated. Section 3.5 expands on the topic.

2.6 - Maintenance Management

A corporate maintenance management system, that is integrated with effective management of the fleet, can materially assist in cost containment and vessel life extension programs.

However, as some other fleet operators have discovered, introduction of maintenance management is just one aspect of a thorough overhaul of the total management system. See Section 3.6.

2.7 - Risk Management

Under normal circumstance Risk Management and maintenance management are only peripherally connected. However in a ferry fleet, because of the human element and the number and complexity of fire and safety systems that must be maintained. The two cannot be separated.

At the present time, the AMHS is piggybacked onto the state Risk Management activity which becomes a part of overhead. As a result of this separation little thought appears to be given within the AMH to the implication to the State of even a minor incident on one of the vessels. Safety and safety systems must be a day to day concern of both deck, stewards engine room and shore management. It should not be considered only when USCG inspection comes around or after an incident, see Section 3.7.

2.8 - Stores

Ship stores are one of the few areas that can reasonably be handled by a bid process. However, as in other areas there must be a counter balance achieved between price and quality. This is particularly important with, for example, food items which are the point of contact with the passenger and an important element in the well being of the crew. If quality is reduced to minimize costs, then complaints will escalate disproportionately to the saving.

Just as in other areas, procurement must be done by qualified people who are able to make, and justify, decisions not to use a low bidder.

2.9 - Spares

3.9 - Spares

The present procurement process is crippling the fleet and leading both to increased direct costs and paperwork. Neither are necessary.

Clear policies must be set out that permit the fleet to operate safely, efficiently and economically, but at the same time maintain the spirit of the state's fair bidding process.

Section 3.9 sets out a recommended policy, without which an MMS cannot function.

Both the spares and the stores function will be seriously impacted by the decision to move terminal operations to Bellingham.

3 - COMPONENT REVIEW

3.1 - AMHS Management

Current management of the AMHS is inadequate to the needs of the fleet and would not be able to gain any benefits from a maintenance management system.

There are three steps needed to save the fleet from an early demise

- 1) separate the AMHS from the DOI/PF
- 2) enable AMH to retain revenues
- 3) create a lean, efficient and professional marine management team.

Unless this process can be achieved, and soon, there is little hope for the continuation of an effective fleet, and no hope for an MMS.

3.1.1 - Separation from DOI/PF

Because the ferry fleet is an integral part of the Department of Transport and Public facilities, its administration and directives are essentially political rather than business orientated. While the State had access to unlimited funding, this situation did not matter much, funds could be found to implement directives.

However reducing funding while at the same time imposing more and more public burdens on the fleet (e.g KSI) creates intolerable pressures.

The fleet cannot, on the one hand, save money while on the other spend additional sums through state programs. Either greater funds are provided or the AMH must be able to manage itself in a business like manner.

3.1.2 - AMH to Retain Funding

The AMH is remarkable in that given the social obligations of the service, it is able to return close to 60% of its operating costs. By comparison Marine Atlantic, a Crown Corporation in Canada returns less than 40% of its costs.

The AMH may never, because of the social obligation nature, its route and service characteristics, be able to return a profit on operating costs. However it could return better than 70% given the opportunity to manage itself in a business like manner.

An essential part of this is to enable the AMH to retain its revenues. Without that there is no incentive for management to maximize revenue and the current situation will continue to apply - minimize costs at all cost.

There will need to be top up funding by the state, but this top up will be a known and budgeted amount each year. It can be negotiated as part of the agreement to establish a separate entity.

CIP funding can still be utilized for life extension and major refurbishment programs, with the AMH knowing in advance, how much would be available and being able to budget accordingly. The planning process for this work would also benefit from better operational input.

3.1.3 - Create a Lean, Efficient and Professional Marine Management Team

Current management and staffing for administrative purposes is outlined in the organization chart on the following page. From this outline it will be seen that there are only two persons with

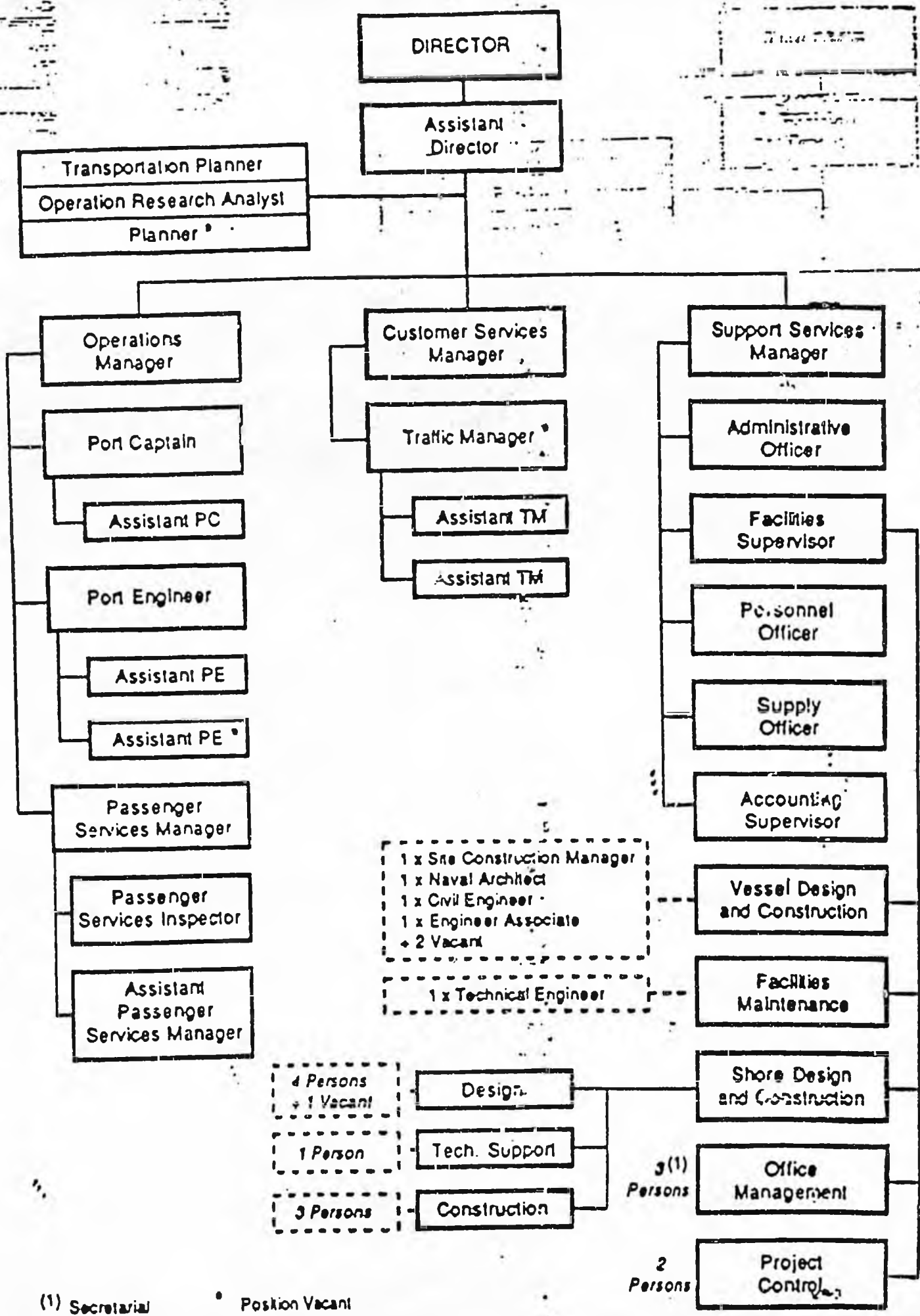
direct-marine experience involved in running the maintenance activity of a fleet of nine ageing ferries, plus one person responsible for crewing and deck department.

On the other side of the fence there are 5 persons involved in vessel design and construction, only one of whom has any direct qualifications for such activity. There are a further 8 persons there are in shore design and construction.

There are innumerable other persons involved in different support areas, but the basic operation of the fleet comes down to a totally insufficient core group of 5 marine professionals. This group is too small to do other than react to emergencies, it cannot plan for effective future maintenance and operational activity of the fleet. Without reinforcement with good calibre marine professionals it will be unable to support the fleet let alone administer an MMS. Other fleets reviewed relative to their use of MMS consider it important to have no more than three ships assigned to an individual asst. port engineer. A revised management structure and staffing is provided.

Capital projects appear to be developed and progressed without the benefit of any input from the ship involved or operations. Nor is there any effort to undertake a life cycle costing exercise to determine, over time, what the alternatives are and what the least cost solution will be.

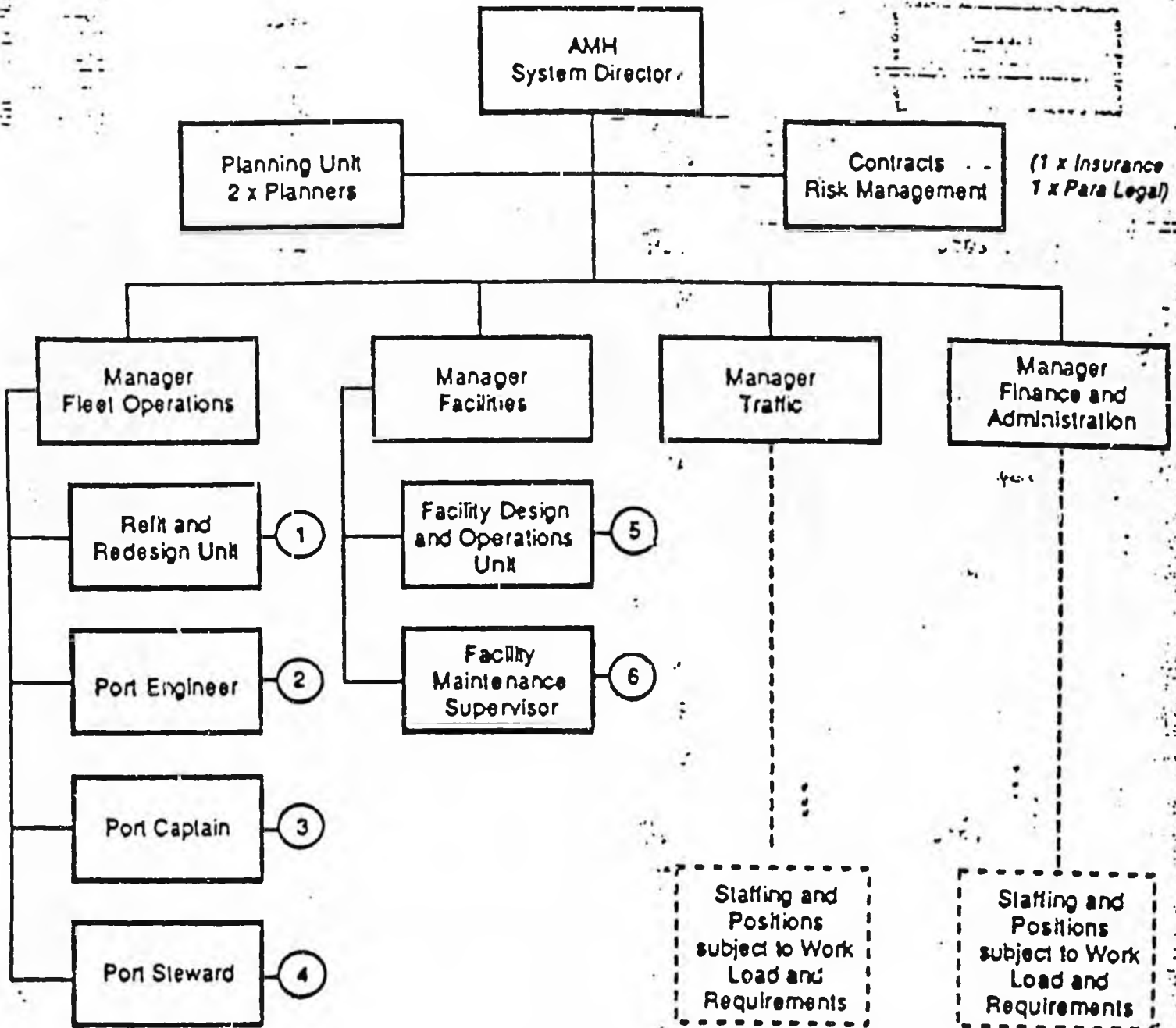
At present money is wasted because of a lack of feedback between departments relative to CIP projects, many of which appear to be unnecessary in the form in which they are implemented.



(1) Secretarial

* Position Vacant

RECOMMENDED FUTURE AMH MANAGEMENT STRUCTURE



① Naval Architect x 1
Marine Engineer x 1

② Assistant Port Engineer SW, based in Valdez
Assistant Port Engineer x 2 in Ketchikan
Procurement x 1 in Ketchikan
Storeman x 1 in Ketchikan
Technical Procurement x 1 in Bellingham

③ Assistant Port Captain x 2
Safety Officer x 1

④ Assistant Port Steward x 2
Hotel Supplies Procurement x 1 in Bellingham

⑤ Civil Engineers x 2
Technical Assistance x 1

⑥ Assistant Facility Supervisors x 2

For any major project, the project team should consist of the ship department head involved, representatives from Port Engineer, Port Captain and Port Steward as appropriate, the CIP project manager, planning and contracts. In this way the CIP project manager has the benefit of operational advice relative to the activity being considered; the implications relative to ship support are fully understood; planning is able to develop a fully built up future cost rationale for different solutions that enable informed choices to be made; contracts have an experienced review panel available to make sure all eventualities are covered, and last, but not least the ship is involved in the process from beginning to end, leading to better relationships between ship and shore.

3.2 - Accounting System and Cost Control

At the present time the AMHS knows how much was spent in any given year, but not the detail of where it was spent. Some sections can be identified - for example fuel and personal services. Some detail is potentially available e.g. Stewards and Pursers supplies, but all detailed data is suspect because of the extraordinary complexity of the coding process for access to AKSAS.

A steamship accounting system is unique only in the sense that it has more relationship with other transportation systems such as air or rail than it does with conventional business accountancy. Thus the chart of accounts for the AMHS must reflect, both on the cost and revenue side, the unique requirements of financial reporting for a ferry fleet.

A logical framework, which need not exceed 7 digits, but can be used at a much higher level, is all that is required to provide managers with realistic data within each department; By integrating this coding system with the MMS, invoices can be readily assigned to the

appropriate department and budget allocation versus actual costs retrieved readily by ship or fleet at any point in time.

Acres has prepared, and submitted on March 22nd a preliminary chart of accounts that uses a logical breakdown of areas to provide the essential detail needed.

These codes may be used in conjunction with AKSAS to enable management to retrieve data on a timely basis and have on-line access to high quality comparative information. Because of the lack of historical data, budgeting for future costs is almost impossible, except on a guesswork basis. Thus a ship orientated cost capture system will assist in identifying areas where excessive costs are involved.

3.3 - Procurement

The current procurement policies mandated for the fleet have imposed a crippling time and paperchase burden on the proper functioning of the AMHS. They also lead to increases - rather than decreases, in the cost of maintenance and operation.

It must be recognized that a ferry fleet operates 365 days each year with many thousands of pieces of equipment that are essential to its safe and effective operation. Much of this equipment is sole source and cannot be bid in a conventional manner. Operations management must therefore be free to make decisions that are in the best interests of the fleet and the state.

This is not to suggest that operations and vessels should have carte blanche to purchase whatever, whenever and wherever, but that there should be a sensible set of policies laid down that are easy to administer and enable the fleet to be operated effectively.

There must also be a recognition that stores and spares are two different areas. Consumable stores may be planned, while spares and parts are, at the present time totally unplannable. In the future, the introductory of an MMS will increase the proportion of preplanned spares and thus the quantity that can be bid under state procurement policies, but an MMS will never eliminate the need for ship and shore to respond promptly to specific requirements.

There should be an agreed list of sole source vendors for unique items that cannot be bid in a conventional manner. For spares and maintenance on these items it should be agreed that operations has the freedom to order when needed. This sole source listing could be made available on demand and made subject to an appeal process. Examples are MAK engine components and Syncrolifts for the terminals.

There should be an agreement that certain circumstances will preclude the normal bid process. These might be:

- . Ship Safety
- . Ship Certification
- . Ship Scheduling
- . Traffic Emergencies.

Purchasing limits for direct purchase without quote, purchase by telequote, purchase under state purchasing guidelines, must be set at realistic levels and either updated annually to reflect cost increases, or reviewed at no less frequently than 2 year intervals to set new levels.

3.4 - Management/Staff Relationships

Disillusionment of ship crews in management is so great, it is difficult to see how, with the present set up there can be any meaningful dialogue relative to maintenance management. There is,

---rightly or wrongly, a pervasive belief that much of management is unable or unwilling to comprehend the needs of the fleet. There certainly appears to be too little contact between operators and the fleet (which is understandable given the work pressures they are under) and no contact whatsoever with senior management, planning and contracts people.

No fleet can effectively operate without regular feed back between ship and shore. This feed back comes in two forms:

1) Regular meetings of heads of departments

The Chief Stewards meet annually, but Masters, Chief Engineers and Pursers do not appear to have the opportunity for such meetings.

2) Riding the vessels

Management must be out in the fleet more to be able to understand crew positions on issues and appreciate the impact of what is being planned or considered relative to individual vessels and the fleet as a whole. Operations must have the time to be able to do this and so must senior management and planning.

The concept of ship maintenance requests (SMR's) is good. However there is too little feed back to the ship relative what will or will not be implemented and the reasons. In the absence of firm information it is human nature to think the worst and come, perhaps, to unwarranted conclusions.

The "Matanouska" experiment in January this year is a step in the right direction, but does not enable specific policy issues to be addressed on a departmental basis. While such meetings may have a place in management/staff relationships they cannot be the sole forum.

Maintenance Management will require detailed discussions at a departmental level both at the concept stage and during implementation, to ensure that the principles are understood and concerns are properly addressed.

The current maintenance efforts are in a state of turmoil because of newly mandated purchasing policies that make it almost impossible for the ships to be maintained in a timely and cost effective manner.

The discussion in section 3.3 of this report on procurement addresses this vital issue.

3.5 - Maintenance Management

3.5.1 - Ship

Maintenance Management on the Alaska Marine Highway currently only exists at the ship level for regular planned maintenance activity. There is no effective preventative maintenance system in place within the system for either ship or shore equipment.

Methods of handling planned maintenance are as numerous on there are ships and chief engineers. However, from the simplest blackboard system to the most sophisticated, using PC's, they achieve their purpose of reinforcing the chief engineer's understanding of the machinery and equipment in his care.

However the present ship systems are almost exclusively organized to meet the needs of the engine room and do not extend to deck machinery, Galley, Hotel items etc. Thus there is no comprehensive ship system in the vessels.

Because of the varying degrees of sophistication in planned maintenance activity within the fleet, a full featured MMS introduced across the fleet would be doomed to failure. The approach must be to provide a system that can effectively be used at as simple or as complex a level as the chief and his 1st engineer require and are prepared to support. The incentive must always be there to make use of all the systems capabilities; but it should function adequately even if only the top one or two levels are being used.

While there is some weekly and monthly reporting by engineering crew to management, there is insufficient manpower in head office to undertake even minimal analysis.

There is general acceptance and interest in the possible introduction of a comprehensive system that could, through different attributes, be used widely on the ship. For example Pursers and Stewards departments have indicated that various aspects of their documentary work could readily be "computerized".

An essential starting point for any planning exercise is an understanding of the condition of the asset base for which the plans are being formulated. While this is available, in terms of annual inspection reports for marine facilities, nothing is available on the fleet. ABS and USCG inspection reports simply record whether or not the vessel meets statutory criteria for classification or certification purposes, at the point of inspection. They do not offer an opinion and are not part of a planning document.

The AMH needs complete independent condition surveys on each vessel to be able to commence the planning process for both regular maintenance and major refit work. These condition surveys, together with commentaries provided by chief engineers, master, 1st mate, Port

Engineer, Port Captain and Port Steward will provide an essential-basis for ship history files that do not at present exist.

Information derived from these documents enables management to determine corrective maintenance-requirements to bring the vessel up to a "bench mark" condition. Future planned and preventative-maintenance and refit activity may then be measured against this benchmark and be planned from it.

Current reporting from the ship is in the form of weekly and monthly reports. If there are major problems while the ship is underway, then a Coast Guard incident report must be filed.

Weekly Report

Non mandatory in terms of content and thus its use as a fleet planning and vessel history document is limited. Current content of the single page (letter size) report includes the following:

- . Personnel Changes
- . Fuel Bunkered
- . Fuel Used
- . Summary of major work undertaken.

Monthly Report

Is mandatory in terms of content, but is primarily fuel orientated with fuel bunkered and location, on hand start and end month, used per day and per mile. Lube oil consumption Engine and Auxiliary running hours. No details are requested on non routine maintenance. Copies of representative monthly and weekly reports are incorporated with this review in the appendices.

Engine Logs

Engine logs are stored in Juneau. These should however be retained in the Port Engineers office in Ketchikan and form part of each vessel's machinery history.

Some monitoring of machinery condition is accomplished through Lubricating oil analysis. However no trend analysis is undertaken within AMH and because of the varying labs involved, consistent histories are not available. If lubricating oil analysis is to be used as a component of machinery condition trends, then consistent comparative histories must be maintained and used.

3.5.2 - Shore

As noted previously facilities conduct an annual condition survey for each terminal. Two maintenance runs are made each year plus any emergency work that is needed by a contract crew from Public Facilities. The crew is part of the group which supports all public buildings within S.E. Region. Regulatory requirements are nominal and involve only OSHA, who inspect infrequently.

Systems involved in the maintenance requirements included Emergency generators, electronic controls, 3 Synchrolift systems, hydraulic systems, coating systems, Cathodic Protection.

A formal MMS that incorporated shoreside equipment would be valuable in being able to generate a maintenance calendar and history for each item. With more sophisticated machinery and equipment now in place, a more comprehensive work order and work description orientated system will be needed that will supercede earlier "lubricate and check" procedures. Facilities maintenance are moving in this direction and will need a formal system within the next 2-3 years as original components wear and require replacement.

3.6 - Risk Management

AMH Marine risk includes standard Hull and Machinery, Pollution, Protection and Indemnity, to \$200 million. There is a \$1 m dollar retention or deductible on each incident which is self insured by the Department of Risk Management. FY 1990 premium will be \$2.8m which, given the size, age and operating characteristics of the fleet is excellent, although it apparently does not cover full replacement value of the vessels.

In general, maritime law has tended to limit shipping companies liability for loss or damage arising out of a marine incident, in the absence of actual fault or privity on the part of senior management. Historically it has been sufficient for management to be able to demonstrate that it believed it had appointed a competent master, for this limitation of liability to be accepted.

However precedent in recent years, as established (as in the cases of the "Marion", Garden City" and "The Lady Gwendolyn",) has considerably reduced the efficiency of the historic argument. This may be summarized by the UK House of Lords in the case of "The Lady Gwendolyn" wherein it was stated:-

"It seems to me that any company which embarks on the business of shipowning must accept the obligation to ensure efficient management of its ships if it is to enjoy the very considerable benefits conferred by the Statutory right to limitation".

"The Lady Gwendolyn" was the first case in which the responsibilities of management were spelled out, the subsequent cases of the "Marion" and the "Garden City" consolidated the premise into both the need to establish proper controls and to ensure that the requirements of those systems and controls are being followed. For example Exxon will find it hard to limit liability in the Valdez spill because the master was known to have had a "substance abuse" problem.

Risk Management for a ferry fleet and safety, in its broadest sense, go hand in hand. First it is necessary to identify the risk. On the AMHS, with a high proportion of retired people on board at all times and all embarkation/disembarkation via the car deck, there is a very real risk of injury simply in getting on and off the ships. Other matters that can increase risk are:

- Hold down chains
- Oil, water or ice on decks or lack of, non slip paint
- Cramped stairways
- Loose or inadequate hand rails
- Lack of signage or lighting
- Unmarked doorsills and stairways
- Loose chairs or tables
- Lack of a clear access route for foot passengers
- Poor emergency information.

The list is endless, but very real in the ability of a minor defect to create a major claim.

The ship operator must thus minimize those risks that are unavoidable, and seek to diminish the impact of any problem that may occur.

Some measures may be taken to minimize risk and adequately prepare management should a problem occur.

1. Issue, and keep updated on a regular basis, a book of standing instructions for each vessel in the fleet.
2. Keep informed of developments relative to tort or negligence, transportation regulatory matters, and marine and liability assurance.

3. Establish procedures for compiling investigative reports of any incident to ensure a balanced view is available. These procedures should include witness statements and the proper approach to these statements.
4. Hold seminars and workshops on legal and insurance matters for management and senior crew. The Purser and Stewards departments need to be intimately involved in these discussions.

These seminars should cover personal injury situations as well as vessel collision/stranding and vehicular damage scenarios.

The above commentary has covered, primarily, the risk of passenger injury and the impact on the AMH. However both management and senior deck and engine crew need to be aware of the extent of more conventional coverage for Hull and Machinery damage, Pollution liability and Protection and Indemnity coverage. The same procedures should be followed in terms of keeping informed of developments and making sure that each year the coverage is known and understood.

The AMH should also have instituted a set of formal guidelines relative to operation of the vessels and that these follow Coastguard requirements and specific service characteristics of the route.

Exemplary areas are:

- . Navigation equipment fully functional
- . No port departures on one engine
- . Propeller pitch fully functional
- . Limiting conditions for entrance crossings
- . Limiting conditions for areas of extreme tidal flows.

The best approach to these guidelines is via regular masters and chief engineers meetings, which should be held on an annual basis. In this way operating guidelines can be changed as Coastguard rules change, or service conditions change with new terminals.

3.7 - Stores

Stores are regular consumable items that can be predicted with some certainty, acquired in large volumes and warehoused by the AMH against need.

Examples are:

Deck Stores	Paint Cordage
Engine	Rags Solvents Lubes and Greases Nuts, bolts, O rings, clamps
Galley	Food Items Galley and Cafeteria Supplies
Stewards	Linens Soaps Cleaning Materials

Budgets can be set and a cost control system readily instituted. In fact many of the existing line items in the AMH module of AKSAS address stores items on each ship in the fleet.

Accounting should have a good knowledge of stores requirements, budget and achievement levels for every vessel over time. Engine stores will require locations to be found and formalized within each ship. See next section for more detail.

3.8 - Spares

The supply of spares in any fleet operation is a major problem that can only be partially resolved by an PMS. With a lack of commonality through the fleet in term of machinery and equipment, it is not really possible to achieve as good a central spares depot as might be desired. However it is possible to achieve some preplanned stocking of essential spares on both a ship by ship basis and a fleet basis.

At present spares are stored on board each ship, except for major items such as spare propellers and tail shafts and some engine and miscellaneous spares which are warehoused in Seattle. There is an urgent need to inventory this equipment and determine what is appropriate to the fleet and what may be sold or traded.

Because of the procurement system thrust on the AMH, there will be a tendency of the ships to overorder (i.e a just in case policy) on major spares items that are critical to ship operation, but which would involved major hassles if ordered on a just in time basis. Thus a sympathetic system relative to spares ordering will in fact reduce costs. The AMH will also have to be prepared for considerable increase in cost and logistical problems relative to spares with the move to Bellingham. Where a supplier or agency could supply material virtually on call in Seattle, the three hour drive to Bellingham will make it necessary for a full day plus travel costs and possibly accommodation costs to be charged against a service call.

Shipboard Spares

Only the "Columbia" has a single custom made stock room for ship board spares. Other ships e.g "Taku" have fabricated locations, but most store spares in many locations. As a result finding a spare part that is known to be on board becomes a major problem.

Each vessel will need to be reviewed relative to available space and parts needs and store rooms fabricated and outfitted. It will not be possible to concentrate everything in one place (there is insufficient space available) without affecting revenue earning space. However much better organization can be provided and the spares and engine stores activity streamlined.

3.9 - Contracts

At the present time contracts prepared by facilities and planning are far too complex and contain a considerable amount of non-essential and inappropriate language. At a rough estimate, in excess of 60% of contract sections are unnecessary relative to a marine job.

On the other hand contract documents prepared by marine operations, while simpler and more to the point, omit many background clauses that provide both guidance and protection relative to shipyard bid work.

The optimum contract is thus somewhat more comprehensive than present operations documents, but significantly less bulky than facilities contracts.

Standard contractual language and formats may be included in an MMS that will ensure a workable document is produced. We would recommend that AMH submit a selection of contract documents to two Consulting Marine Engineering companies for review and preparation of standard clauses relative to work which the AMH has undertaken by outside vendors. In preparing these documents, it should be kept in mind that the more complex and onerous the document, the greater the cost to AMH, without any material improvement in the product.

Contracts should contain clauses relative to:

- . Good workmanship
- . Welder qualification ABS certified or equivalent
- . Adherence to recognized quality standards e.g. AQAPI or an acceptable quality control manual
- . Paint systems to be applied within manufacturers requirements for surface preparation, humidity and temperature
- . Requirements relative to weld testing (ASTM) for all steel work
- . A realistic approach to liquidated damages. Daily rates should at the very least equate to earning capacity of the ship on a daily basis.

Unless work needs are highly specific, the AMH should avoid, to the extent possible, detailed design or over complex specification relative to shipyard work. Performance language places responsibility with the shipyard and gives the AMH more control in the event of an incomplete or unsatisfactorily completed project.

All contractual shipyard work requires proper supervision to both ensure completion is to satisfactory standards and is either within budget or has minimal overrun. This activity can only be effectively undertaken by qualified marine personnel. Use of contract personnel on a consulting basis is recommended as reinforcement to the Port Engineers Staff. Such involvement should not exceed 2% of contract value and will save more than this amount in eventual costs.

4 - RECOMMENDED ACTION

4.1 - Implementation within 6 Months

- (i) Overhaul procurement process in conjunction with operations to develop a responsive process for obtaining stores and spares that are needed promptly.

The basic criteria have to be:-

- (a) How long will the state procurement process take?
- (b) How soon are the items needed?

If (b) is less than (a) then procurement must proceed via an expedited route.

- (ii) Inventory ship stores and spares in Seattle, Ketchikan and Juneau. Determine what is needed in each location, whether none or more of Seattle spares can be moved to Bellingham or Ketchikan. Request list from ships of all onboard stores and spares by department. Request ships to give details of where and how they could provide proper stores and spares storage.
- (iii) Overhaul ship safety procedures. A knowledgeable senior marine person with the fleet should be designated as safety officer and given time, budget and staff support, to review current procedures and introduce in conjunction with the vessels "Standing orders".
- (iv) Contract for baseline surveys of each ship in the fleet. This activity is essential for any MMS. This activity should cost no more than \$30,000 over all vessels and would include written detailed reports, with recommended remedial action. Work will probably need to be spread over 12 months in order to permit

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with dry-dock and afloat inspections. The inspections should include a current resale value and a replacement value on each vessel and should be undertaken as if the AMH were buying the vessels from a third party and wished to be made aware of all and every identifiable problem relative to each ship.

Implementation as soon as Possible

Reorganize the management structure to be responsive to the needs of running a ferry fleet. This will require more people in marine operations and less in other areas. See management structure.

Commence approaches regarding separation of AMH from DOTPF into state corporation. The Alaska Railroad can be used as a model.

Introduce a simplified accounting system that properly identifies the functional areas of the ferry operation.

Establish a system by which meaningful, regular exchanges between ship and shore can be undertaken.

EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

CAPT. & C/E BENEFITS
DECK CREW BENEFITS
ENGINE CREW BENEFITS
STEWARDS DEPT. BENEFITS
CATERING STAFF BENEFITS

LS - CONTROLLABLE OVERTIME

CONTROLLABLE OVERTIME

CAPT. & C/E OVERTIME
DECK CREW OVERTIME
ENGINE CREW OVERTIME
STEWARDS DEPT. OVERTIME
CATERING STAFF OVERTIME

S - DECK CREW WAGES

DECK CREW WAGES

OFFICERS WAGES
AB WAGES
OS WAGES

LS - ENGINE CREW BENEFITS

ENGINE CREW BENEFITS

ENGINEERS BENEFITS
MECHANICAL ASSISTANTS BENEFITS
OILERS BENEFITS
ELECTRICIANS BENEFITS

ELS - STEWARDS DEPT. OVERTIME

STEWARDS DEPT. OVERTIME

PURSER'S OVERTIME
CLEANING STAFF OVERTIME
OTHER HOTEL STAFF OVERTIME

FOURTH LEVEL - PERISHABLE PRODUCE

15100 PERISHABLE PRODUCE
15110 MEAT
15120 POULTRY
15130 FISH & SEAFOOD
15140 DAIRY PRODUCTS
15150 FRESH FRUITS
15160 FRESH VEGETABLES

TERTIARY LEVEL - RISK MANAGEMENT

16000 RISK MANAGEMENT
16100 P AND I INSURANCE
16200 HULL & MACHINERY
16300 3RD PARTY LIABILITY
16400 CATASTROPHIC RISK
16500 STRIKE INSURANCE
16600 EXCESS LINES

TERTIARY LEVEL - FUEL

17000 FUEL
17100 MAIN ENGINES
17200 AUXILIARIES
17300
17400

FOURTH LEVEL - MAIN ENGINES

17100 MAIN ENGINES
17110 NAVIGATING CONSUMPTION
17120 MANOUVERING CONSUMPTION
17130 IN PORT CONSUMPTION

FOURTH LEVEL - AUXILIARIES

17200 AUXILIARIES
17210 NAVIGATING CONSUMPTION
17220 MANOUVERING CONSUMPTION
17230 IN PORT CONSUMPTION

TERTIARY LEVEL - STATUTORY SURVEY & INSPECTION

18000 STATUTORY SURVEY & INSPECTION
18100 HULL
18200 MACHINERY
18300 ELECTRICAL
18400 PASSENGER SPACES
18500 SAFETY EQUIPMENT
18600 NAVIGATIONAL EQUIPMENT

FOURTH LEVEL - MACHINERY

18200 MACHINERY
18220 TAIL SHAFT SURVEY
18230

SECONDARY LEVELS - SHORE FACILITIES

20000 SHORE FACILITIES
21000 PERSONAL SERVICES
22000 REPAIR & MAINTENANCE
23000 STORES & SUPPLIES (DOCK)
24000 STORES & SUPPLIES (SERVICE AREA)
25000 FOOD SERVICES
26000 RISK MANAGEMENT ALLOCATION
27000 POWER & UTILITIES
28000 STATUTORY SURVEY & INSPECTION
29000

TERTIARY LEVELS - REPAIR & MAINTENANCE

22000 REPAIR & MAINTENANCE
22100 MOORING & FENDERING
22200 PASSENGER & VEHICLE TRANSFER
22300 PASSENGER & VEHICLE WAITING
22400 DOCK DECK & CATWALKS
22500 SUPPORT STRUCTURE
22600 DOCK ACCESS

SECONDARY LEVELS - ADMINISTRATION & PLANNING

40000 ADMINISTRATION & PLANNING
41000 VESSEL OPERATIONS
42000 CUSTOMER SERVICES
43000 SUPPORT SERVICES
44000 BUDGET
45000 PLANNING
46000 SYSTEM DIRECTOR

TERTIARY LEVELS - VESSEL OPERATIONS

41000 VESSEL OPERATIONS
41100 PERSONAL SERVICES
41200 COMMUNICATIONS
41300 OFFICE SUPPLIES, EXPENSES
41400 TRAVEL
41500 OUTSIDE SERVICES
41600

FOURTH LEVELS - PERSONAL SERVICES

41100 PERSONAL SERVICES
41110 PORT CAPTAIN
41120 PORT ENGINEER
41130 PORT STEWARD

TERTIARY LEVELS - SUPPORT SERVICES

43000 SUPPORT SERVICES
43100 PERSONNEL SERVICES
43200 COMMUNICATIONS
43300 OFFICE SUPPLIES, EXPENSES
43400 TRAVEL
43500 OUTSIDE SERVICES
43600

FOURTH LEVELS - PERSONNEL SERVICES

43100 PERSONNEL SERVICES
43110 ADMINISTRATIVE OFFICE
43120 PROCUREMENT & SUPPLY
43130 PERSONNEL & LABOUR RELATIONS
43140 FINANCE
43150 FACILITIES SUPERVISOR
43160

SECONDARY LEVELS - CAPITAL IMPROVEMENT PROJECTS

60000 CAPITAL IMPROVEMENT PROJECTS

61000 VESSELS

62000 SHORE FACILITIES

TERTIARY LEVELS - VESSELS

61000 VESSELS

61100 HULL, WEATHERDECK SUPERSTRUCTURES

61200 PROPULSION & MANOUVERING

61300 MAIN ENGINES

61400 AUXILIARY MACHINERY

61500 ELECTRICAL

61600 VEHICLE SPACES & ACCESS

61700 PASSENGER SPACES & ACCESS

61800 CREW SPACES

61900 DRY DOCKING

TERTIARY LEVELS - SHORE FACILITIES

62000 SHORE FACILITIES

62100 MOORING & FENDERING

62200 PASSENGER & VEHICLE TRANSFER

62300 PASSENGER & VEHICLE WAITING

62400 DOCK, DECK AND CATWALKS

62500 SUPPORT STRUCTURE

62600 DOCK ACCESS

62700 WAREHOUSE FACILITIES

62800 OFFICES

62900

FOURTH LEVELS - PASSENGER SPACES

61700 PASSENGER SPACES

61700 DINING AREAS

61720 LOUNGES

61730 BARS

61740 GALLEY

61750 STATEROOMS

61760 PUBLIC WASHROOMS

61770 PROMENADE AREAS

61780

FIFTH LEVELS - STATEROOMS

61750 STATEROOMS
61751 PLUMBING
61752 ELECTRICAL
61753 ACCESS
61754 FURNISHINGS & DECORATION
61755 STRUCTURE
61756 STORAGE
61757

SECONDARY LEVELS - REVENUES

7000 REVENUE
71000 SOUTHEAST PASSENGER & VEHICLE REVENUE
72000 SOUTHEAST CABIN REVENUE
73000 SOUTHWEST PASSENGER & VEHICLE REVENUE
74000 SOUTHWEST PASSENGER & VEHICLE REVENUE
75000 VENDING MACHINE REVENUE
76000 VIDEO GAMES REVENUE
77000 CAFETERIA REVENUE
78000 BAR REVENUE
79000 DINING ROOM REVENUE

TERTIARY LEVELS - SOUTHEAST PASSENGER & VEHICLE REVENUE

71000 SOUTHEAST PASSENGER & VEHICLE REVENUE
71100 ITEM ADT: PASSENGER 12 YRS AND OVER REVENUE
71200 ITEM CHD: CHILDREN 6 THROUGH 11 YRS OLD REVENUE
71300 ITEM AMC: ALTERNATIVE MEANS
71400 ITEM 710: VEHICLES UP TO 10 FEET
71500 ITEM 715: VEHICLES UP TO 15 FEET
71600 ITEM 719: VEHICLES UP TO 19 FEET

FOURTH LEVELS - ITEM ADT: PASSENGER 12YRS OLD AND OVER REVENUE

71100 ITEM ADT: PASSENGER 12 YRS OLD AND OVER REVENUE
71110 KETCHIKAN TO PIER 48 SEATTLE REVENUE
71120 KETCHIKAN TO PRINCE RUPERT REVENUE
71130 KETCHIKAN TO STEWARD/HYDER REVENUE
71140 METLAKATLA TO PIER 48 SEATTLE REVENUE
71150 METLAKATLA TO PRINCE RUPERT REVENUE
71160 METLAKATLA TO STEWARD/HYDER REVENUE
71170 METLAKATLA TO KETCHIKAN REVENUE
71180

TERTIARY LEVELS - VENDING MACHINES

75000 VENDING MACHINES
75100 SHIP BORNE MACHINES
75200 TERMINAL/SHARED MACHINES
75300 OFFICE
75400 SHOP/WORK PLACE VENDING MACHINES
75600

FOURTH LEVELS - SHIP BORNE VENDING MACHINES

75100 SHIP BORNE VENDING MACHINES
75110 COFFEE/HOT DRINKS
75120 POP/COLD DRINKS
75130 SANDWICHES
75140 CONFECTIONARY
75150 CIGARETTES
75160

- c. Definitively state in statutes that non-profit agencies providing services not directly related to their main purpose and which are identified as being in direct competition with an existing business or hindering the establishment of a new profit-making business, must either cease providing that particular service to the public or must pay taxes on those services as "unrelated profit-making ventures."
6. The state should stop competing and contract to private labs with the state being more aware of private services that are available and not duplicate.

9. PROBLEM: EDUCATION/TRAINING

There is a lack of networking between the education sector and the small business sector as to what programs are needed, the ability of businesses to train employees or have apprentice programs.

RECOMMENDATIONS

1. Provide funding and/or tax credits for an apprentice training program to assist small business to develop an effective and more productive work force.
2. The State Board of Education and State Vocational Education Board should be separated into two boards to better service Alaskan students.
3. The state funded SB191 program similar to the "Job Training Partnership Act" (JTPA) should be expanded with an emphasis on the private sector designing and delivering the training through the RFPO process.

10. PROBLEM: TRANSPORTATION/MARKETING

The state does not have a transportation policy.

RECOMMENDATIONS

1. a. Develop a transportation policy that includes highways, ports, airports, barge service and the railroad; and
b. Establish one commission each for DOT, Alaska Marine Highway System, and airports similar to the Alaska Railroad to set policy and long range goals. Each should have their own budget with income generated remaining in the department directly related - i.e. gas tax to DOT, airport fee to airports, etc.
2. The Alaska Marine Highway System serves as a vital link to the continental surface transportation network:
 - a. Provide year-round marine highway service to Kodiak, Prince William Sound, Dutch Harbor and all other coastal communities presently served in Southwest Alaska, without lapse.
 - b. The Alaska Marine Highway System should request proposals for emergency replacement vessels immediately upon scheduling of refurbishment.
 - c. Extend the AMHS to include service to Western Alaska.

Marine highway commission proposed

By KIRK McALLISTER

THE JUNEAU EMPIRE
Two Southeast senators have combined forces in an effort to improve management of the Alaska Marine Highway system.

Sen. Jim Duncan, D-Juneau, has introduced a bill (SB473) setting up a ferry commission that would be responsible for general policy and the appointment of the marine highway system director.

Sen. Lloyd Jones, R-Natashagan, meanwhile, has been working since last year on a bill (SB310) that would set up a Marine Highway Authority that would be an independent entity within state government much like the Alaska Railroad Corp. or the Alaska Permanent Fund Corp.

Duncan and Jones have now apparently joined together behind the commission concept as an initial step towards a separate marine highway authority.

Gov. Steve Cowper has balked at the authority concept because, among other things, it would remove the ferry system from the Department of Transportation and Public Facilities and would negotiate labor contracts separately from other

ALASKA NEWS

state unions that currently must go through the Division of Labor Relations.

But the commission, as envisioned by Duncan and Jones, is a less radical idea than the separate authority concept since the marine highway would remain part of DOT. So far now, Jones has dropped the authority idea and opted to go with Duncan's commission concept.

The commission would be made up of seven members appointed by the governor to five-year, staggered terms. Membership would include the commissioner of the Department of Transportation and Public Facilities, a representative of the tourism industry, the maritime industry, Southeast and Gulf of Alaska residents and a person who represents the interests of the public.

Commissioners would serve without compensation other than per-

dium and travel expenses. Major duties of the panel would include appointing the director of the system, working on schedules and fees, construction of facilities, replacement and overhaul of vessels, produce an annual report on the system for the governor and Legislature, establish policy for the system and hold public meetings on the system's operation.

"I think this is a mid-range step designed to bring continuity to the system and more long-range planning," Duncan said. "It should bring stability in the management of the system."

Jones agreed with that assessment saying the appointment of the marine highway system director by the commission would make the position less of a political appointment that would change with changes in administrations.

"Continuity in the management of the system has always been our goal," Jones said. "I see this (the commission bill) as a first step. Establishing an authority is the only way the system will be able to survive in the long term but this is a step in the right direction."

Jim Ayers, current director of the ferry system, said that Gov. Cowper in his State of the State message last month, said a marine highway authority wasn't necessary at this time. The ferry system is facing much tougher and immediate questions than whether the director should be appointed by a commission or an authority established, he said.

"There are major management and financial decisions that need to be addressed," Ayers said. "The system is at a crossroads. We need to make the decisions necessary to keep the system going for the next 20 years."

One of the ships (the Chilkat) in the nine-vessel fleet is currently laid up and may never come back into service because of prohibitive costs, Ayers said. The rest of the fleet is also getting older plus a decision needs to be made about whether small "feeder" vessels should be added to the fleet.

A new master plan study of the system is scheduled to be released next week. Currently, the system generates about \$35 million annually of the \$65 million needed to operate the system.

Juneau Empire Article

Alaska State Legislature



SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR —
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

FOR IMMEDIATE RELEASE
February 12, 1990
Contact: Pete Carran
465-4766

ALASKA MARINE HIGHWAY COMMISSION PROPOSED BY SENATOR DUNCAN

The Director of the Alaska Marine Highway System would be appointed by a five member commission established by Senate Bill 473 introduced today by Senator Jim Duncan of Juneau.

"This approach will provide continuity of management in order to promote efficiency in the operation of the system," Senator Duncan says. "Currently, system management changes with each change in the state administration. This measure is intended to provide an overlapping of system management from one administration to the next. This is a necessary step in order to help ensure sound system management."

Under terms of the measure, commission members are appointed by the Governor to five year terms on a staggered basis. At least three members must be from communities served by the Marine Highway System. The duty of appointing a system director is now the responsibility of the Commissioner of the Department of Transportation and Public Facilities.

Senator Duncan feels the management approach proposed in his bill is better equipped to deal with the important issues now facing the system. "There's a need for long term planning, maintaining an adequate level of funding, improving service including establishing a fast ferry program, and developing a plan for replacement of the fleet. Strong and long term management is needed to deal with these issues."

In addition to appointing a system director, the commission is responsible for advising and making recommendations on schedules and tariffs; management, planning and construction of facilities; replacement, refurbishing, and overhaul of vessels; and operating and capital costs. The measure also directs the commission to conduct public meetings on the operation of the system including proposed tariff increases or scheduling changes and to provide an annual report to the Governor and Legislature.



Grand Camp
Alaska Native Brotherhood

Resolution No. 46

Title: In Support of Senator Jim Duncan's recommendation regarding the Alaska State ferry System

Whereas: Senator Jim Duncan has put together four major recommendations regarding the Alaska Marine Highway system, and

Whereas: Those recommendations will go a long way in the enhancement and improvement of the ferry service in Southeast, Alaska, and

Whereas: Planning for the ferry system needs to occur in order to capitalize on Southeast Alaska's only transportation link to other Alaskan communities and the lower 48, and

Whereas: Senator Duncan's recommendations are:

1. There is a need for long term planning for the Alaska marine highway system,
2. There is a need for adequate level of funding,
3. There is a need to improve ferry service, possibly the establishment of a "fast ferry" program or an increased number of sailings to more adequately serve Southeast, Alaska communities.
4. There is a need to plan for replacement vessels.

Now therefore be it resolved that the Grand Camp Alaska Native brotherhood and the Alaska Native Sisterhood assembled in Hoonah, Alaska strongly support the recommendations of Senator Jim Duncan for improving the Alaska Marine Highway system.

Certification:

I certify that this resolution was adopted at the ANB/ANS convention at Hoonah, Alaska during the week of Nov. 6-11, 1989.

Albert Kookesh
Albert Kookesh
Grand Secretary

Richard Stitt
Richard Stitt
Grand President

SOUTHEAST CONFERENCE

P.O. Box 22286

Juneau, Alaska 99802

March 8, 1990

The Honorable Jim Duncan
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, AK 99811

Dear Senator Duncan:

The Southeast Conference, an organization representing the cities and towns of Southeast Alaska, is seriously concerned about the status of our Marine Highway.

Once the pride of ALL Alaskans, the highway has experienced a steady decline in service.

The deterioration is excessive with marine highway vessels on a non-active status more than 50% of the time resulting in a 10% "road closure" in some regions compared to the service offered just three years ago. Imagine what impact this would have on residents throughout interior Alaska if their primary highways suffered the same fate.

But at the same time traffic on Alaska's uniquely different highway increased almost ten percent and generated revenues that subsidized almost sixty percent of it's basic costs - making it Alaska's cheapest major transportation system on a per lane mile basis.

The Marine Highway is Alaska's most important intrastate link, knitting together all Alaskan communities to a surface route that spans 3500 miles from the Aleutian Islands, through Southeast Alaska to its termination in the lower 48. More than 34% of the traffic on the highway are folks traveling to and from westward and interior Alaska.

One of the primary mandates to the state is to provide adequate public transportation for its citizens. Alaska's 1990 budget reflects a 19% DECREASE in general funding during the past 5 years to maintain our Marine Highway. We liken this decision to a "death spiral" for the system.

We are seeking your support to "upgrade" the Highway this legislative session and in order to appraise your constituents of the highway's importance have initiated an information campaign throughout the state (copy attached).

Sincerely,



Ted Ferry, President
Southeast Conference

March 8. 1990

Letter to the Editor:

To ALL Alaskans,

The longest state operated highway in the U.S.A. is in a serious state of disrepair and in jeopardy of "emergency" closures.

Once the pride of ALL Alaskans, Alaska Marine Highway service has steadily declined.


The deterioration is excessive with marine highway vessels on a non-active status more than 50% of the time resulting in a 10% "road closure" in some regions compared to the service offered just three years ago. Imagine what impact this would have on residents throughout interior Alaska if their primary highways suffered the same fate.

But at the same time traffic on Alaska's uniquely different highway increased almost ten percent and generated revenues that subsidized almost sixty percent of its basic costs - making it Alaska's cheapest major transportation system on a per lane mile basis.

The Marine Highway is Alaska's most important intrastate link, knitting together all Alaskan communities to a surface route that spans 3500 miles from the Aleutian Islands, through Southeast Alaska to its termination in the lower 48. More than 34% of the traffic on the highway are folks traveling to and from westward and interior Alaska.

One of the primary mandates to the state is to provide adequate public transportation for its citizens. Alaska's 1990 budget reflects a 19% DECREASE in general funding during the past 5 years to maintain our Marine Highway. We liken this decision to a "death spiral" for the system.

Please support our efforts to "save" this vital All-Alaska highway by expressing your concern to your elected state officials during this legislative session.



Ted Ferry, President
Southeast Conference

SENATE COMMITTEE REPORT

DATE: 2/10/90

FURTHER: Finance

DATE TURNED INTO OFFICE: _____

State Affairs

Committee considered

SB 310

Ferries and ferry terminals and establishing the Alaska Marine Highway Authority

and recommended:

[] replace with _____ CS SB 310
[] or adopt _____ CS _____

[] same title
[X] new title
[] technical title change (HB only)

[] attached amendment(s)
[] _____ letter of intent adopted

[] do pass

[] do not pass

[] no recommendation

[X] individual recommendations

[] further referral to _____

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:

[] fiscal note(s) _____

[X] zero fiscal note(s) _____
DST/PF 3.14.90

[] appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:
[] fiscal note(s) _____

[] zero fiscal note(s) _____

[] Governor's bill w/fiscal note

SIGNING DO PASS:

Tom Kelly

Rich Albrecht

OTHER RECOMMENDATIONS:

All Adams - DO NOT PASS

[Signature]

Chair: Signature and Recommendation

New

6-1110H
Utermohle
2/21/90

Original sponsor(s): Transportation Committee

effective date
Jan. 1, 1991 PASSED

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 310 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Marine Highway System
7 Commission."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 19.65 is amended by adding new sections to read:

10 ARTICLE 2. ALASKA MARINE HIGHWAY SYSTEM COMMISSION.

11 Sec. 19.65.100. DECLARATION OF POLICY. The state ferry system,
12 operated by the Department of Transportation and Public Facilities, is
13 a moving highway commonly known as the Alaska Marine Highway System.
14 It is the purpose of AS 19.65.100 - 19.65.160 to

15 (1) ensure that the state marine highway system is operated
16 in the public interest;

17 (2) provide continuity of management of the marine highway
18 system to promote efficiency in operating the system;

19 (3) ensure that marine transportation services will be
20 provided equitably, economically, and efficiently to all users;

21 (4) provide users of the marine highway system and citizens
22 of the state with a marine highway system operated and managed as a
23 public service for their benefit under a fair and reasonable tariff
24 schedule;

25 (5) make certain that the marine highway system is properly
26 developed and operated in coordination with other transportation modes
27 and services; and

28 (6) provide the traveling public complete and dependable
29 marine transportation services.

1 Sec. 19.65.110. ALASKA MARINE HIGHWAY SYSTEM COMMISSION. The
2 Alaska Marine Highway System Commission is created within the Depart-
3 ment of Transportation and Public Facilities.

4 Sec. 19.65.120. MEMBERSHIP AND VACANCIES. (a) The commission
5 consists of seven members. One member is the commissioner of trans-
6 portation and public facilities and six members are appointed by the
7 governor. The six appointed members must be state residents except as
8 provided in (1) of this subsection. One appointed member shall be a
9 representative of the tourist industry who meets one of the require-
10 ments under (1) - (4) of this subsection, and one shall be a represen-
11 tative of the commercial carriers who meets one of the requirements
12 under (1) - (4) of this subsection. Appointed members shall include

13 (1) a representative of the maritime industry; a person who
14 is not a state resident may be appointed under this paragraph;

15 (2) a member of a maritime union;

16 (3) two residents of Southeast Alaska;

17 (4) a resident of the Gulf of Alaska area west of Icy Cape;

18 and

19 (5) a person who represents the interests of the public.

20 (b) Members serve at the pleasure of the governor for five-year
21 terms.

22 (c) Members shall comply with the requirements of AS 39.50
23 (conflict of interest).

24 (d) A member holds office for the term of the appointment and
25 until a successor has been appointed and qualified. A member may be
26 reappointed.

27 (e) A vacancy in a membership occurring other than by expiration
28 of term shall be filled in the same manner as the original appointment
29 but only for the unexpired term.

1 (f) Each member, before serving on the commission, shall take
2 and subscribe to an oath to faithfully perform the duties of the
3 office. A record of the oath shall be filed with the Office of the
4 Governor.

5 Sec. 19.65.130. COMPENSATION. The members of the commission
6 serve without compensation, but are entitled to per diem and travel
7 expenses authorized for state boards and commissions under AS 39.20.-
8 180.

9 Sec. 19.65.140. OFFICERS, MEETINGS, AND QUORUM. (a) The mem-
10 bers shall annually elect one of their number as chair.

11 (b) The commission shall meet at a time and place determined by
12 the chair, and at other times and places the chair, or a majority of
13 the commission members, considers necessary.

14 (c) The powers of the commission are vested in the members and
15 four members of the commission constitute a quorum. The commission
16 may take action by the affirmative vote of at least four members. A
17 vacancy in the membership of the commission does not impair the right
18 of a quorum to exercise all the powers and perform all the duties of
19 the commission.

20 Sec. 19.65.150. DUTIES. The commission shall

21 (1) recruit, select, appoint, dismiss, or suspend the
22 director of the division of marine transportation;

23 (2) advise and make recommendations to the director of the
24 marine highway system regarding the operation of the marine highway
25 system, including

26 (A) schedules and tariffs;

27 (B) management, planning, and construction of facili-
28 ties;

29 (C) replacement, refurbishing, and overhaul of

1 vessels;

2 (D) reviews of short-term and long-term operating and
3 capital costs;

4 (3) establish policy for the division of marine transporta-
5 tion;

6 (4) submit to the governor and the legislature before the
7 10th day of each regular legislative session a comprehensive report
8 describing the operations and expenditures of the commission and
9 including a summary of recommendations made by the commission under
10 (2) of this section during the preceding year;

11 (5) adopt rules of procedure; and

12 (6) hold meetings to provide a timely opportunity for the
13 public to comment on the annual operations plan of the marine highway
14 system, including proposed tariff increases or scheduling changes.

15 Sec. 19.65.160. COMPREHENSIVE LONG-RANGE PLAN. The commission,
16 with the cooperation of the Department of Transportation and Public
17 Facilities, shall prepare a comprehensive long-range plan for the
18 development and improvement of the marine highway system and shall
19 revise and update the plan at least every five years. The comprehen-
20 sive long-range plan and revisions and updates of the plan are subject
21 to legislative approval by law.

22 * Sec. 2. AS 39.50.200(b) is amended by adding a new paragraph to read:

23 (50) Alaska Marine Highway System Commission (AS 19.65.100 -
24 19.65.160).

25 * Sec. 3. AS 44.42.040 is amended by adding a new subsection to read:

26 (b) The Alaska Marine Highway System Commission shall

27 (1) appoint the director of the division of marine trans-
28 portation;

29 (2) advise and make recommendations to the director of the

1 marine highway system regarding the operation of the marine highway
2 system;

3 (3) establish policy for the division of marine transporta-
4 tion.

5 * Sec. 4. INITIAL APPOINTMENT OF MEMBERS OF THE ALASKA MARINE HIGHWAY
6 SYSTEM COMMISSION. Notwithstanding AS 19.65.120(b), enacted by sec. 1 of
7 this Act, the terms of the initially appointed members of the Alaska Marine
8 Highway System Commission shall be staggered as set out in AS 39.05.055(4).
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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act . . . establishing the
Alaska Marine Highway Authority
Sponsor: Transportation Committee
Requestor: _____

Agency Affected: DOT&PF/AMHS
BRU: Marine Management
Components: Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	55.8	55.8	55.8	55.8	55.8	55.8
TRAVEL	22.4	24.0	25.7	37.5	39.4	21.4
CONTRACTUAL	149.2	40.1	42.1	44.2	46.4	48.8
SUPPLIES	2.5	2.5	2.7	2.9	2.9	3.0
EQUIPMENT	10.5	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	249.4	132.5	136.3	140.3	144.5	149.0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	249.4	132.5	136.3	140.3	144.5	149.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	249.4	132.5	136.3	140.3	144.5	149.0

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See Attached

Prepared by: John Halterman
Division: Alaska Marine Highway System
Approved by Commissioner: *[Signature]*
Agency: _____

Phone: 465-3950
Date: 01/17/90
Date: 1/17/90

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

- 5. The Authority would continue to use:
 - A. State-owned office buildings.
 - B. The State mail system.
 - C. The State equipment fleet.
 - D. The statewide purchasing contracts (i.e. fuel).
 - E. "Shared" communications lines.
 - F. Insurance, bonding, etc., as now supplied.
 - G. Legal services from the Attorney General's Office.
 - H. Snow removal at terminals as currently provided by DOT&PF regions.
- 6. The Directors of the Authority would meet six times a year, replacing the current AMHS Advisory Board. No travel funding is included in this fiscal note on the assumption that currently funded travel and contractual costs for the Advisory Board will be retained within the existing operating budget. However, additional funds are requested for the directors' compensation.
- 7. Data processing support will no longer be provided by the Information Systems Division of DOT&PF.
- 8. The maintenance positions and equipment transfers as requested in the AMHS FY 91 budget proposal will be approved.

DETAIL OF FY 89 COSTS

MARINE ADMINISTRATION BRU

<u>Personal Services</u> - 1 PFT Position		\$ 55.6
Analyst/Programmer IV	\$ 55.8	
<u>Contractual Services</u>		\$148.2
Professional Services		\$120.0
Annual audit by CPA	20.0	
Initial legal services	100.0	

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

FY 92 COSTS

FY 92 costs and beyond include an annual inflationary increase of 5% for line items other than personal services after deletion of the following one-time costs in the Marine Administration BRU:

<u>Contractual Services</u>		\$110.0
Initial Legal Fees	\$100.0	
Initial Printing Costs	10.0	
<u>Equipment</u>		10.5

POSITION TITLE Analyst/Programmer IV		NO. OF POSITIONS 1	RANGE/STEP 19/A	BARG. UNIT G
TIME STATUS PFT	STAFF MONTHS 12.0	LOCATION Juneau		ELECTION DISTRICT 04
TYPE OF EXPENDITURE		JUSTIFICATION:		
1	2	Creation of an Authority would require data processing support services which are currently provided by the Department of Transportation and Public Facilities.		
AMOUNT	3	This position will be responsible systems maintenance and enhancement of the reservations system (RMS II) and other information systems specific to the Alaska Marine Highway Authority.		
Salary	40,032	Equipment costs include office equipment and necessary computer equipment (terminal, microcomputer, printer, etc.).		
Benefits	15,743			
Premium Pay				
Other				
TOTAL PERSONAL SERVICES	55.8			
Travel				
Contractual	2.0			
Commodities	2.5			
Equipment	10.5			
Other				
TOTAL COST	70.8			
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G.F. Match 1003				
General Funds 1004	70.8			
I-A Receipts 1006				
CIP Receipts 1061				
Other				

REQUEST FOR
NEW POSITION

AGENCY Dept. of Transportation and P.F.
Alaska Marine Highway System

BRD Marine Administration

COMPONENT Administration

FY 91

Page 6 of 6

Revised Date

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

Contractual Services (Continued)

Communication		2.0
Local telephone service for new position	.5	
Network connect fees for new terminal	1.5	
Advertising, Printing and Binding		15.0
Printing, photography, etc. (Annual and other reports)	5.0	
Initial printing of stationery	10.0	
Rental for Land, Buildings and Space		1.2
Room rental for Directors' meetings	1.2	
Other Expenditures and Services		10.0
Mail clerk services (to be RSA'd to DOT&PF)	10.0	
<u>Supplies and Materials</u>		2.5
Office & Library Supplies	.5	
Routine supplies for new position		
Data Processing Supplies	2.0	
<u>Travel</u>		32.4
Directors' Honoraria	32.4	
(6 directors x 6 meetings x 3 days each @ \$300/day)		
<u>Equipment</u>		10.5
Office equipment for new position	.5	
Data processing equipment for new position	10.0	
Marine Administration BRU TOTAL		<u>\$249.4</u>

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 310

SB 310

FISCAL NOTE ANALYSIS

No funds for the increased operation of vessels are being requested in this fiscal note. Such an increase would require additional funds whether the System is managed as an Authority or under the present organization within the Department of Transportation and Public Facilities.

The current organization with a minimum of additional positions would be required for independent operation as the "Alaska Marine Highway Authority." The new positions required are identified on the attached Request for New Position forms.

It is assumed the Authority would continue to utilize the State Accounting System and other State computer resources, including those needed to support our Reservations Management System. The requirements will remain the same under the current organization or an Authority.

Additionally, it is assumed the Authority would retain access to the federal funding for capital projects available to DOT&PF at least at historical levels/proportions.

The following assumptions were made:

1. The legislation would take effect July 1, 1990.
2. There would continue to be an annual appropriation for full operating costs of the Authority each year to maintain the currently budgeted level of vessel operating schedules.
3. An inflation factor of five percent has been included for future years beyond FY 91 for all costs other than personal services, which are calculated by PACS at FY 90 rates.
4. The position of System Director would be converted to Executive Director and administrative support would be provided to the Board of Directors by the existing staff and the additional positions requested. No transfers of positions would be made from the Department of Transportation and Public Facilities.



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: CSSB 310

APPROVED: 

TITLE: An Act Relating to the
Alaska Marine Highway
System Commission

DATE: March 15, 1990

The Committee Substitute for Senate Bill 310 proposes to create an Alaska Marine Highway System Commission. The department recognizes that this legislation has been put forward in a good faith effort to present changes to the Alaska Marine Highway structure which are intended to benefit and strengthen the overall system.

We agree that citizen input is a useful tool for good management of the system and in 1988 created a Marine Highway Advisory Board to facilitate this input. The Advisory Board serves as a bridge between the public and management and has been a successful addition since its implementation. Although the department has no objection to placing the Advisory Board or a similar structure in statute, we are unclear about the reason to mandate this by law.

The primary difficulty with this legislation concerns the proposed Section 1 AS19.65.150 (1) and Section 3 AS44.42.040 (b)(1) which give the commission the authority to hire or fire the Marine Highways System director. The department feels that the actual appointment, dismissal or suspension of the system director is a responsibility of the Executive Branch to be exercised by the Governor and Commissioner. If these sections were amended to provide for advisory action on the part of the commission, the department would remove its objection to this legislation.

For Further Information call Catherine McHugh at 465-3900

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to the AK Marine Highway System Commission
Sponsor: Transportation Committee
Requestor: _____

Agency Affected: DOT&PF/AMHS
BRU: Marine Management
Components: Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Assuming the Alaska Marine Highway System Commission supplants the current advisory board, no additional funds will be required as a result of the passage of this legislation.

Prepared by: John Halterman
Division: Alaska Marine Highway System

Phone: 465-3950
Date: 3/14/90

Approved by Commissioner: Mark A. Niles
Agency: _____

Date: 3/15/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsor(s): Transportation Committee

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE
2 CS FOR SENATE BILL NO. 310 (Transportation)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to ferries and ferry terminals and
7 establishing the Alaska Marine Highway Authority."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. PURPOSE. The purpose of this Act is to establish an
10 authority for the operation, management, planning, and construction of
11 facilities for the marine highway system with a legal existence independent
12 of and separate from the state government. The authority shall be the
13 exclusive state agency directly associated with the operation, management,
14 planning, and construction of facilities for the marine highway system.

15 * Sec. 2. AS 19 is amended by adding a new chapter to read:

16 CHAPTER 70. ALASKA MARINE HIGHWAY AUTHORITY.

17 ARTICLE 1. CREATION AND ORGANIZATION.

18 Sec. 19.70.010. ALASKA MARINE HIGHWAY AUTHORITY. The Alaska
19 Marine Highway Authority is established. The authority is a public
20 corporation of the state. The corporation is an instrumentality of
21 the state in the Department of Transportation and Public Facilities
22 but has a legal existence independent of and separate from the state
23 and has continuing succession until its existence is terminated by
24 law.

25 Sec. 19.70.020. DIRECTORS. (a) The authority consists of seven
26 directors. One director is the commissioner of transportation and
27 public facilities and six directors are appointed by the governor.
28 The six appointed members must be state residents except as provided
29 in (1) of this subsection. One appointed member shall be a

1 representative of the tourist industry who meets one of the require-
2 ments under (1) - (4) of this subsection, and one shall be a represen-
3 tative of the commercial carriers who meets one of the requirements
4 under (1) - (4) of this subsection. Appointed members shall include

5 (1) a representative of the maritime industry; a person who
6 is not a state resident may be appointed under this paragraph;

7 (2) a member of a maritime union;

8 (3) two residents of Southeast Alaska;

9 (4) a resident of the Gulf of Alaska area west of Icy Cape;

10 and

11 (5) a person who represents the interests of the public.

12 (b) The appointed directors serve at the pleasure of the gover-
13 nor for four-year terms. Each director shall hold office for the term
14 of the director's appointment and until a successor is appointed and
15 qualified. A director is qualified for reappointment. A vacancy in a
16 directorship occurring other than by expiration of term shall be
17 filled in the same manner as the original appointment but only for the
18 unexpired term.

19 (c) The directors shall comply with the requirements of AS 39.50
20 (Conflict of Interest). Each director before entering upon the direc-
21 tor's duties shall subscribe to an oath to perform the duties of
22 office faithfully, impartially, and justly to the best of the direc-
23 tor's ability. A record of the oath shall be filed with the Office of
24 the Governor.

25 (d) An appointed director is entitled to compensation at a rate
26 of \$300 for each day the director is engaged in actual performance of
27 duties under this chapter. The authority may provide by regulation
28 for compensation for partial days for an appointed director. In
29 addition, an appointed director is entitled to travel and per diem

1 expenses authorized by law for state boards and commissions under
2 AS 39.20.180.

3 Sec. 19.70.030. OFFICERS AND QUORUM. The directors shall elect
4 one of their number as chair. The directors shall elect a secretary
5 and a treasurer who need not be directors, and the same person may be
6 elected to serve both as secretary and treasurer. The powers of the
7 authority are vested in the directors, and four voting directors of
8 the authority constitute a quorum. Except as provided in AS 19.70.-
9 050(7), action may be taken and motions and resolutions adopted by the
10 authority at a meeting by the affirmative vote of at least four direc-
11 tors. A vacancy in the directorship of the authority does not impair
12 the right of a quorum to exercise all the powers and perform all the
13 duties of the authority.

14 Sec. 19.70.040. STAFF. The authority shall employ a chief
15 executive officer who serves at the pleasure of the authority. The
16 chief executive officer may, with the approval of the authority,
17 select and employ additional staff as necessary, including additional
18 administrative officers. All officers and employees of the authority
19 are in the exempt service under AS 39.25.110. In addition to its
20 staff of employees, the authority may contract for and engage the ser-
21 vices of consultants and professional, technical, and financial advi-
22 sors the authority considers necessary for the purpose of developing
23 information, conducting hearings, studies, investigations, or other
24 proceedings, or otherwise exercising its powers.

25 ARTICLE 2. POWERS AND DUTIES.

26 Sec. 19.70.050. POWERS OF AUTHORITY. In addition to other
27 powers granted in this chapter, the authority may

- 28 (1) sue and be sued;
29 (2) adopt and alter an official seal;

1 (3) adopt and enforce bylaws and regulations for the con-
2 duct of its business and for the use of its services and facilities;

3 (4) maintain offices at a place in the state and at places
4 out of the state that are served by the marine highway system;

5 (5) establish terms and conditions of employment by the
6 authority and conduct or designate a representative to conduct labor
7 negotiations with employees;

8 (6) subject to appropriation by the legislature, acquire,
9 hold, use, and dispose of its income, revenues, funds, and money;

10 (7) acquire, hold, use, lease, rent, construct, and dispose
11 of personal property for its purposes, except that the authority may
12 dispose of a ferry only on approval of at least five of its directors;

13 (8) acquire, hold, use, lease, or rent real property and
14 dispose of real property under AS 19.70.100;

15 (9) operate, maintain, improve, and extend a system of
16 ferries connecting with the public roads and highways of the state and
17 including the boats, vessels, wharves, docks, approaches, landings,
18 and appurtenances the authority determines to be necessary or desir-
19 able for safe and efficient operation of the ferry system so as to
20 best serve the public;

21 (10) do all acts and things necessary, convenient, or desir-
22 able to carry out the powers expressly granted or necessarily implied
23 in this chapter;

24 (11) establish rates and tariffs, after public hearings;

25 (12) modify routes, after public hearings.

26 Sec. 19.70.055. DUTIES OF AUTHORITY. The authority shall

27 (1) assist the residents, businesses, and communities of
28 the state in obtaining the best and most frequent possible marine
29 passenger and freight service;

1 (2) schedule vessel sailings to maximize the frequency of
2 service to all ports;

3 (3) encourage and integrate with other public and private
4 carriers to the greatest extent possible to provide ferry service
5 within the state and between Alaskan ports and ports outside the state
6 in order to provide maximum service within the state;

7 (4) require a non-refundable deposit for reservations;

8 (5) provide reservation access and marketing information
9 throughout the state;

10 (6) encourage vessel construction, maintenance, and service
11 in the state to the greatest extent possible;

12 (7) employ residents of the state to the greatest extent
13 legally possible;

14 (8) recognize Alaska-based unions and employee associations
15 to the greatest extent legally possible.

16 Sec. 19.70.060. USE OF NAME AUTHORIZED. The authority is auth-
17 orized to operate its ferry system under the name "Alaska Marine
18 Highway System".

☆
☆
goes
↓

19 Sec. 19.70.070. COMPREHENSIVE LONG-RANGE PLAN. The authority,
20 with the cooperation of the Department of Transportation and Public
21 Facilities, shall prepare a comprehensive long-range plan for the
22 development and improvement of the marine highway system and shall
23 revise and update the plan at least every five years. The comprehen-
24 sive long-range plan and revisions and updates of the plan are subject
25 to legislative approval by law.

26 ARTICLE 3. ACQUISITION OF PROPERTY.

27 Sec. 19.70.080. ACQUISITION OF LAND AND EASEMENTS. The authori-
28 ty, as part of the cost of constructing, maintaining, or improving the
29 marine highway system, may acquire by purchase, gift, or exchange land

1 in fee simple or easements that it considers necessary and reasonable
2 for either temporary or permanent public use. By the same means, the
3 authority may obtain material, including clay, gravel, sand, or rock,
4 or the land necessary to obtain the material, including access to it.
5 The authority may acquire the land or materials notwithstanding the
6 fact that title to it is vested in the state or a department, agency,
7 commission, or institution of the state.

8 Sec. 19.70.090. AUTHORITY TO PURCHASE PROPERTY FOR THE PURPOSE
9 OF EXCHANGE. When a majority of the directors of the authority de-
10 clares that it is in the best public interest of the state, the au-
11 thority may acquire by purchase, gift, or exchange privately or pub-
12 licly owned land or an interest in land for the purpose of exchanging
13 the land for privately or publicly owned land that the authority is
14 authorized by law to acquire.

15 Sec. 19.70.100. DISPOSAL OF LAND OR RIGHTS IN LAND. (a) The
16 authority may vacate land or rights in land acquired for use in the
17 marine highway system by executing and filing a deed in the approp-
18 riate recording district. Upon vacating, title reverts to the per-
19 sons, heirs, successors, or assigns in whom it was vested at the time
20 of the taking.

21 (b) The authority may transfer land not considered necessary for
22 use in the marine highway system to the Department of Natural Re-
23 sources for disposal. The proceeds of disposal by the Department of
24 Natural Resources shall be credited to the funds from which the pur-
25 chase was originally made.

26 ARTICLE 4. FERRY TERMINAL FACILITIES.

27 Sec. 19.70.110. ACQUISITION AND MAINTENANCE OF FERRY TERMINAL
28 FACILITIES. The authority may construct, purchase, or lease ferry
29 terminal facilities at locations it selects for the loading and

1 unloading of passengers and vehicles under their own power, on and off
2 ferries. The authority shall repair and maintain these facilities.
3 Construction and purchasing under this section are governed by AS 36.-
4 30 (State Procurement Code).

5 Sec. 19.70.120. CONNECTION OF FACILITIES TO HIGHWAYS. The
6 authority may connect ferry terminal facilities with local highway
7 systems.

8 Sec. 19.70.130. REGULATIONS. The authority may adopt regula-
9 tions governing the use of ferry terminal facilities by the public.

10 Sec. 19.70.140. EXISTING FACILITIES NOT AFFECTED. A ferry
11 terminal facility in existence and serving the public on January 1,
12 1959, is not affected by AS 19.70.110 - 19.70.140.

13 ARTICLE 5. GENERAL PROVISIONS.

14 Sec. 19.70.150. ANNUAL REPORT. By January 15 of each year, the
15 authority shall submit to the governor and the legislature a compre-
16 hensive report describing the operations, income, and expenditures for
17 the preceding fiscal year.

18 Sec. 19.70.160. ANNUAL AUDIT. The authority shall have its
19 financial records audited annually by a certified public accountant.
20 The legislative auditor may prescribe the form and content of the
21 financial records of the authority and shall have access to those
22 records at any time.

23 Sec. 19.70.170. BUDGET AND APPROPRIATIONS. The authority shall
24 submit its annual budget to the legislature through the governor as
25 provided for state agencies by the Executive Budget Act (AS 37.07).
26 The authority shall expend money appropriated by the legislature as
27 authorized by the legislature.

28 Sec. 19.70.180. NAMING OF VESSEL OR FACILITY. (a) A vessel or
29 facility of the marine highway system constructed or acquired by the

1 authority must be named by law.

2 (b) A maritime vessel must bear the name of an Alaska glacier.

3 (c) A vessel used principally on the inland waterways of the
4 state must bear the name of an historical vessel that used the rivers
5 of the state.

6 Sec. 19.70.199. DEFINITIONS. In this chapter, unless the con-
7 text requires otherwise,

8 (1) "authority" means the Alaska Marine Highway Authority;

9 (2) "capital improvement" means a project for the construc-
10 tion, rehabilitation, rebuilding, enlarging, or improving of all or
11 part of the marine highway system, including, without limitation,
12 boats, vessels, wharves, docks, approaches, landings, offices, and
13 appurtenances as determined by the authority to be necessary or desir-
14 able for efficient operation of the marine highway system and to best
15 serve the public;

16 (3) "ferry" means a vessel used in the common carriage of
17 passengers and self-propelled vehicles in intrastate or interstate
18 commerce.

19 Sec. 19.70.200. SHORT TITLE. This chapter may be cited as the
20 Alaska Marine Highway Authority Act.

21 * Sec. 3. AS 23.40.040 is amended to read:

22 Sec. 23.40.040. COLLECTIVE BARGAINING AGREEMENT. The Alaska
23 Marine Highway Authority [COMMISSIONER OF TRANSPORTATION AND PUBLIC
24 FACILITIES] or an authorized representative, in accordance with
25 AS 23.40.020 - 23.40.030, may negotiate and enter into collective
26 bargaining agreements concerning wages, hours, working conditions, and
27 other employment benefits with the employees of the authority [DIVI-
28 SION OF MARINE TRANSPORTATION] engaged in operating the state ferry
29 system as masters or members of the crews of vessels or their

1 bargaining agent. A collective bargaining agreement entered into by
2 the authority is not final without the concurrence of the commissioner
3 of transportation and public facilities. The authority [COMMISSIONER
4 OF TRANSPORTATION AND PUBLIC FACILITIES] may make provision in the
5 collective bargaining agreement for the settlement of labor disputes
6 by arbitration.

7 * Sec. 4. AS 35.27 is amended by adding a new section to read:

8 Sec. 35.27.025. APPLICATION TO ALASKA MARINE HIGHWAY AUTHORITY.
9 This chapter applies to the Alaska Marine Highway Authority. Compli-
10 ance with this chapter is the sole responsibility of the authority
11 with respect to the public buildings and facilities of the authority.

12 * Sec. 5. AS 35.27.030(1) is amended to read:

13 (1) "building" or "facility" means a permanent improvement
14 constructed by the department or authority; the term

15 (A) includes, but is not limited to,

16 (i) schools, office buildings, and court build-
17 ings;

18 (ii) other buildings which the commissioner deter-
19 mines are designed for substantial public use;

20 (iii) boats and vessels of the marine highway
21 system;

22 (iv) transportation facilities which accommodate
23 traveling passengers;

24 (B) excludes other transportation facilities;

25 * Sec. 6. AS 35.27.030 is amended by adding a new paragraph to read:

26 (4) "authority" means the Alaska Marine Highway Authority.

27 * Sec. 7. AS 39.25.110(11) is amended to read:

28 (11) the officers and employees of the following boards,
29 commissions, and authorities:

- 1 (A) Alaska Gas Pipeline Financing Authority;
2 (B) Alaska Permanent Fund Corporation;
3 (C) [REPEALED
4 (D)] Alaska Industrial Development and Export Authori-
5 ty;
6 (D) [(E)] Alaska Commercial Fisheries Entry Commis-
7 sion;
8 (E) [(F)] Alaska Commission on Postsecondary Educa-
9 tion;
10 (F) Alaska Marine Highway Authority;

11 * Sec. 8. AS 39.50.200(b) is amended by adding a new paragraph to read:
12 (50) Alaska Marine Highway Authority (AS 19.70.010).

13 * Sec. 9. AS 44.42.020(a)(1) is amended to read:
14 (1) plan, design, construct, and maintain all state modes
15 of transportation and transportation facilities and all docks, floats,
16 breakwaters, buildings, and similar facilities, except that the de-
17 partment is not responsible for planning, design, construction, or
18 maintenance of transportation modes or facilities under the jurisdic-
19 tion of the Alaska Marine Highway Authority;

20 * Sec. 10. AS 44.42.020(a)(7) is amended to read:
21 (7) manage, operate, and maintain state transportation
22 facilities and all docks, floats, breakwaters, and buildings, includ-
23 ing all state highways, vessels, railroads, pipelines, airports, and
24 aviation facilities, except that the department is not responsible for
25 management, operation, or maintenance of transportation facilities,
26 vessels, or equipment under the jurisdiction of the Alaska Marine
27 Highway Authority;

28 * Sec. 11. INITIAL APPOINTMENT OF MEMBERS OF THE ALASKA MARINE HIGHWAY
29 AUTHORITY. Notwithstanding AS 19.70.020(b), enacted by sec. 2 of this Act,

- 1 the terms of the initially appointed members of the Alaska Marine Highway
- 2 Authority shall be staggered as set out in AS 39.05.055(4).
- 3 * Sec. 12. AS 19.60, AS 19.65, and AS 39.25.110(16) are repealed.

3.16.90

SB 310 Jones:

PAT? Comment on Appointment of Director
A Remove from politics

Duncan: Gov's Conf. on Small Business

Rick Q. Comp. of Board? West of Icey Strait.
A S.W. Rep — Cordova, Valdez, etc.

Steve Aposki — Petersburg

Former employee — keep as originally intended — part of highway system.

Rick Q. New Director?

A. Would allow Ayers to apply

Duncan: Response to Aposki — attempt to stabilize

At: Agrees with DOT — should remain

Kell: effective date —
proposes next January 1, 1991

Adopt CS —
Adams NO

CS SB 310, Alaska Marine Highway Commission March 16, 1990

TELECONFERENCE: Anchorage, Ketchikan, Sitka, others invited.

TO TESTIFY;

Senator Jones
Senator Duncan
DOT/PF: AMH, Jim Ayers

NOTES;

DOT/PF position. . .opposed to Commission hiring/firing director. Would probably push for Governor to veto if went through as is. If hiring/firing powers deleted, DOT will support. (Jim Ayers is probably personally in support of this bill but will testify based on DOT position)

New fiscal note will be arriving today from DOT for new draft of CS.