

HEB

328

Jeanine ← →

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: January 16, 1998

FURTHER REFERRALS: Finance

Date of Committee Action: 1/28/98

The TRANSPORTATION Committee considered: HB 328

HOUSE BILL NO. 328 APPROPRIATION FOR M/V MALASPINA

"An Act making appropriations for continued maintenance and operation of the Motor Vessel Malaspina; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ [] the same title [] a new title

[] additional referral to _____ Committee
[] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
[] fiscal note(s) _____ [] fiscal note(s) _____

[] zero fiscal note(s) _____ [] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Lorely Masek</i>			✓	
<i>W. J. Williams</i>	✓			
<i>John J. Bourgeois</i>			✓	
<i>Jan Sanders</i>			✓	
<i>Bill Hudson</i>	✓			
<i>Alunt Kooker</i>	✓			

CHAIR'S SIGNATURE *W. J. Williams* 1/28/98

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 16, 1998

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker *Gail* Phillips:

The public has indicated strong support for keeping the Motor Vessel Malaspina working for Alaska and its visitors. I am, therefore, transmitting this bill to provide financing for the continued operation of the Malaspina.

With the anticipated arrival of the Motor Vessel Kennicott this summer, the state has a golden opportunity to alleviate the chronic congestion in North Lynn Canal. By operating the Malaspina as a day boat between Juneau, Haines, and Skagway, we will be able to transport residents and travelers to road routes leading to Alaska's interior. The daily service provided by the Malaspina in North Lynn Canal will result in 14 additional weeks of ferry service for Southeast travelers on a leg that is currently lacking in transportation assets. It also makes practical sense to keep the Malaspina in operation so it will be available as a backup vessel during service disruptions. This will be especially important as we incorporate the Kennicott into the system.


According to the April 1995 McDowell Group report titled "Economic Benefits of the Alaska Marine Highway System," visitors arriving via the marine highway annually spend \$11.4 million in Southcentral Alaska, \$7.4 million in Interior and Northern Alaska, and \$13.3 million in Southeast Alaska. Maintaining the Malaspina in addition to the Kennicott provides a potential for increasing these economic benefits statewide.

The Alaska Municipal League recently urged the state to "fully support the Alaska Marine Highway System through administrative policies and a funding level that allows the operation of a nine vessel fleet beginning in June 1998." This bill allows us to meet that challenge.

The Honorable Gail Phillips
January 16, 1998
Page 2

The Malaspina can continue to provide excellent service to Alaska's residents, businesses, and visitors. If this appropriation is in place by February 15, the state will be able to confirm reservations on the Malaspina for summer travel. I urge your favorable and swift consideration of this bill so we can help Alaskans and visitors plan their journeys.

Sincerely,



Tony Knowles
Governor

SOUTHEAST CONFERENCE

An Alaska Regional Development Organization and USDA Resource Conservation and Development Council

A RESOLUTION SUPPORTING THE ALASKA MARINE HIGHWAY SYSTEM

(Resolution 98-19)

- WHEREAS** the strength of an economy is found in diversity, and
- WHEREAS** a strong diversified economy relies on an effective transportation system, and
- WHEREAS** Alaska's economy is dependent upon transportation, and
- WHEREAS** Alaska's unique and complex geography demands/requires a unique efficient transportation network, and
- WHEREAS** the Alaska Marine Highway is an integral part of the state transportation system and the state-wide economy, and
- WHEREAS** Southeast Alaska, Southwest Alaska, and Prince William Sound are directly dependent on the Alaska Marine Highway System, and
- WHEREAS** all Alaskans benefit from transportation of independent travelers and goods and services on Alaska Marine Highway System vessels, and
- WHEREAS** the Alaska Marine Highway System is an integral part of Alaska's transportation infrastructure and best managed as an integral part of Alaska's transportation system, and
- WHEREAS** the stability of Southeast Alaska's transportation infrastructure directly and immediately effects the economy, and
- WHEREAS** consistent, reliable funding is a crucial element of the stability of the transportation system.

NOW THEREFORE BE IT RESOLVED THAT:

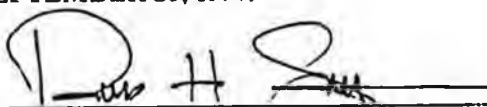
The Alaska Marine Highway System must remain an integral part of Alaska's transportation system and the Alaska Department of Transportation and Public Facilities.

Southeast Conference urges the Department, the Legislature, and the Governor to recognize the importance of stable, sufficient and reliable funding of the Alaska Marine Highway System.

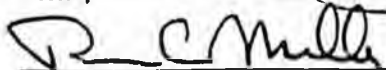
Southeast Conference hereby commits to actively participating with the Alaska Department of Transportation and Public Facilities in development of the Southeast Plan and specifically with the Alaska Marine Highway System to develop a two-year schedule for ferry operation, including no less than 140 weeks of cumulative vessel service.

ADOPTED BY SOUTHEAST CONFERENCE ON SEPTEMBER 20, 1997.

Witness:


Richard Smith - President Southeast Conference

Attest:


Berne C. Miller - Executive Director

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION 98-15

A RESOLUTION URGING FULL SUPPORT OF THE ALASKA MARINE HIGHWAY SYSTEM AND THE OPERATION OF A NINE VESSEL FLEET

WHEREAS, the Alaska Marine Highway System is critical to many Alaska communities for basic transportation, economic development, delivery of Alaska products to market, access to critical health care, and regional interaction; and

WHEREAS, the Alaska Marine Highway System provides significant economic benefits to the entire state of Alaska; and


WHEREAS, it is imperative to continue current rebuilding of the system to avoid costly emergency repairs and service disruptions; and

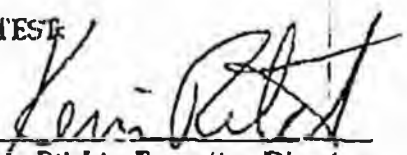
WHEREAS, reductions in operating funds have had a major adverse impact on the entire Alaska Marine Highway System which is the only road system connecting Southeast Alaska, South Central Alaska, and Southwest Alaska to the rest of the state;

NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that the Governor and Legislature are urged to fully support the Alaska Marine Highway System through administrative policies and a funding level that allows the operation of a nine vessel fleet beginning in June, 1998.

BE IT FURTHER RESOLVED that the Alaska Municipal League urges the Alaska Marine Highway System to allow an adequate voice from the communities served in determining the use and scheduling of the Alaska Marine Highway System fleet.

PASSED and APPROVED November 14, 1997.


Karen Parr, President

ATTEST

Kevin Ritchie, Executive Director

Presented by: Mayor & Assembly
Introduced: 01/12/98
Drafted by: J.R. Corso

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 1915

**A Resolution Urging the State of Alaska to Provide for Northern
Lynn Canal Day Boat Service Aboard the M/V Malaspina.**

WHEREAS, a strong diversified economy requires an effective transportation system, and

WHEREAS, Alaska's unique and complex geography demands a diversified transportation infrastructure, and

WHEREAS, all Alaskans benefit from transportation of independent travelers, local residents, goods, and groceries aboard Alaska Marine Highway System vessels, and

WHEREAS, deployment of the M/V Malaspina in the North Lynn Canal would enhance the ability of the ferry system to serve individuals, businesses, and communities throughout the system;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:


Section 1. That the Assembly urges the Alaska Marine Highway System to undertake deployment of the M/V Malaspina as a day boat serving Haines, Skagway, and Juneau.

Section 2. That the Assembly respectfully urges the Alaska Legislature and Governor Knowles to work in concert to provide funding for Northern Lynn Canal day boat service aboard the M/V Malaspina.

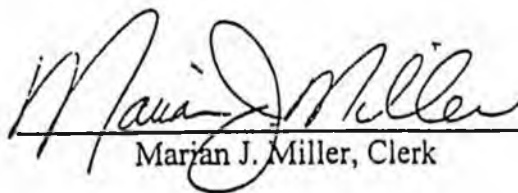
Section 3. The Clerk shall distribute copies of this resolution to the Juneau Legislative Delegation.

Section 4. Effective Date. This resolution shall be effective immediately upon adoption.

Adopted this 12th day of January, 1998.



Dennis Egan, Mayor

Attest:


Marian J. Miller, Clerk

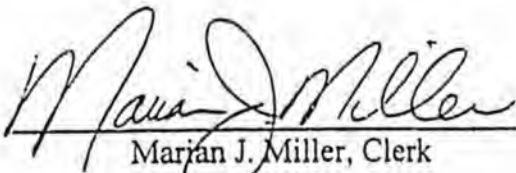
Section 4. Effective Date. This resolution shall be effective immediately upon adoption.

Adopted this 12th day of January, 1998.



Dennis Egan, Mayor

Attest:



Marian J. Miller, Clerk

Fault: Engelmann



March 14, 1997

Mr. Joe Perkins, Commissioner
Alaska Department of Transportation & Public Facilities
3132 Channel Drive
Juneau, AK 99801-7898

Subject: Craig City Council Position on Operation of the MV Malaspina

Dear Commissioner Perkins:

The City of Craig supports the continued operation of the MV Malaspina as a line vessel of the Alaska Marine Highway System in Southeast Alaska. It is our understanding that while the costs for keeping the Mal on-line until the year 2016 are very high, (\$10-\$15 million), the expenditure necessary to maintain the vessel as a day boat is relatively inexpensive (\$2-\$3 million). This being the case, we believe that the Mal can best be utilized as a day boat with it's service area being limited to Southeast Alaska.

We have advocated from the earliest discussions of the construction of the new vessel that the Malaspina must be kept on line. We stated that it makes no sense to reduce the number of vessels in the fleet and that if it is the intent to take the Mal out of service with the advent of the new vessel, the money would be better spent to upgrade the existing fleet and not construct the new vessel. We were assured that there were no plans to take the Mal out of service.

Keeping the Mal on line is especially important as there are so many communities in Southeast Alaska that are not adequately served now. We do not believe that budgetary considerations are the only criteria for making this decision. We believe that service is the primary consideration and that it is up to management to creatively finance the operation of the existing fleet. The current plan to have only three vessels on-line during the winter schedule for 1997-1998 is totally inadequate and threatens life/safety for our region. If management is not able to make the case to the legislature for adequate funding of the AMHS, perhaps it is indeed time to establish the Alaska Marine Highway Authority.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dennis Watson".

Dennis Watson
Mayor

cc: Governor Knowles
Senator Mackie
Representative Kookesh

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 03-97-659

A RESOLUTION OF THE COUNCIL OF THE CITY OF WRANGELL, ALASKA, SUPPORTING THE RETENTION OF THE MALASPINA TO PROVIDE NEEDED SERVICE TO THE ALASKA MARINE HIGHWAY SYSTEM

WHEREAS, the Alaska Marine Highway System has requested input from affected communities concerning deployment alternatives for the motor vessel Malaspina; and

WHEREAS, the retention of the Malaspina for use as a day-boat in Lynn Canal or other needed Marine Highway services was supported by all eleven communities participating in the recent AMHS Advisory Committee Meeting; and

WHEREAS, retention of the Malaspina will permit better long-term service alternatives which would not be available if the Malaspina is sold; and

WHEREAS, the sale of the Malaspina would keep the AMHS as status quo rather than providing an additional vessel to service the needs of all Southeast communities; and

WHEREAS, the sale of the Malaspina would generate very little revenue (under \$100,000); and

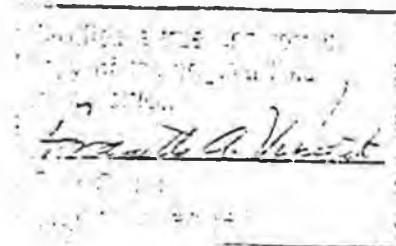
WHEREAS, Wrangell's pressing need for economic recovery presents a compelling need for continued and better Marine Highway service.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Wrangell, Alaska, supports the retention of the Malaspina as an integral part of the Alaska Marine Highway System.

ADOPTED: _____ March 11 _____, 1997

Douglas W. Roberts
Douglas W. Roberts

ATTEST: Franette A. Vincent
Franette A. Vincent, City Clerk



Sponsor: Administrator

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 97-889

**A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH
OF SITKA, ALASKA SUPPORTING THE RETENTION OF THE MALASPINA TO PROVIDE
NEEDED SERVICE TO THE ALASKA MARINE HIGHWAY SYSTEM, AND IMPROVED
SERVICE TO SITKA**

WHEREAS, the Alaska Marine Highway System has requested input from affected communities concerning deployment alternatives for the motor vessel Malaspina; and

WHEREAS, the retention of the Malaspina for use as a day-boat in Lynn Canal or other needed Marine Highway services was supported by all 11 communities participating in the recent AMHS Advisory Committee Meeting; and

WHEREAS, retention of the Malaspina will permit better service alternatives which would not be available if the Malaspina is sold; and

WHEREAS, the sale of the Malaspina would generate very little revenue (under \$100,000); and


WHEREAS, Sitka's Marine Highway service is by far the worst in the entire mainline system, with Sitka receiving one-third to one-half or less of the service all other mainline ports receive; and

WHEREAS, Sitka's 8,500 population and pressing needs for economic recovery present as a compelling need for better Marine Highway service

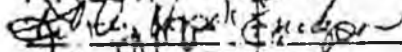
NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka, Alaska supports the retention of the Malaspina as an integral part of the Marine Highway System.

BE IT FURTHER RESOLVED that the Assembly of the City & Borough of Sitka, Alaska supports BASIC SERVICES FOR SITKA WITH NO FURTHER EROSION IN SERVICE including three northbound and three southbound mainline sailings during the summer season spread evenly throughout the week, with reasonable connections to and from Bellingham and Prince Rupert and Haines and Skagway; and continued feeder ferry service to the villages

PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska on this 11th day of March, 1997.


Peter S. Hallgren, Mayor

ATTEST:


Kathy Hope Erickson
Municipal Clerk

END



CITY OF HAINES, ALASKA

P.O. BOX 1049
HAINES, ALASKA 99827
(907) 766-2231 • TOURISM (907) 766-2234 • FAX (907) 766-3179

0126-01
MAR 19 1997
ALASKA MARINE HIGHWAY

March 19, 1997

Mr. Gary Hayden
System Director
Alaska Marine Highway System
Department of Transportation and
Public Facilities
P.O. Box 25535
Juneau, AK 99802-5535

Post-It™ brand fax transmittal memo 7671		# of pages » 2
To GARY HAYDEN.	From TOM HEALY	
Co. AMHS	Co. HAINES	
Dept.	Phone #	
Fax # 465 2746	Fax #	

RE: Fleet Deployment

Dear Mr. Hayden:

This letter responds to Paul Engleman's 3/4/97 letter requesting statements in regards to fleet deployment issues.

The City of Haines favors keeping the Malaspina in service following the arrival of the new ferry Kennicott. The Malaspina will be available to supplement service between Juneau, Haines and Skagway to address the high demand for service in the Lynn Canal. Operating an additional vessel also allows the potential to deploy the fleet to provide a higher level of service to other communities.

The City of Haines prefers schedule alternate 1 as presented at the 2/26/97 Advisory Committee meeting. This schedule allows for increased service, but with lower additional costs than other schedule alternates.

A major concern regarding the proposed use of the Malaspina as a "day boat" in Lynn Canal is the fact that it stops in Haines just once on each round trip between Juneau and Skagway. Haines understands that this is necessary to reduce overtime costs. Haines already experiences bypasses on the "double-shuffle" mainline summer service, but, again, understands that this is necessary in order to fit the second run into the schedule.

Bypassing Haines will become a critical concern, however, in the event the system adopts a zone schedule. Alternates 6, 7 and 7a, for example, reduce service to Haines by up to fifty percent and add delays of up to twenty-four hours to travel between Haines and

Mr. Gary Hayden
March 19, 1997
Page 2

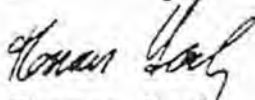
Skagway. Regular service in both directions between Haines and Skagway is a good example of a popular and profitable route that the Marine Highway should retain, but zone scheduling as proposed will devastate that service.

If the Marine Highway System considers a true "hub and spoke" zone schedule, Haines will insist that the vessel dedicated to the Lynn Canal stop in Haines both northbound and southbound. If this cannot occur, Haines will strongly oppose the dedication of a single vessel in the Lynn Canal and will support instead the traditional mainline vessel routing as is presently in effect, including the "double-shuffle" summer service.

Also in regards to Alternate 7, Haines questions whether scheduling one vessel doing one round trip north of Juneau each day will provide enough capacity to adequately address the capacity needs of the Juneau-Haines-Skagway route. If not, then supplementing this service with other mainline vessels is necessary.

Please give me a call if you have any questions.

Sincerely,



Thomas Healy
City Administrator
CITY OF HAINES

CITY OF SKAGWAY

GATEWAY TO THE GOLD RUSH OF "98"

P. O. BOX 415 SKAGWAY, ALASKA 99840

(PHONE) 907-983-2297

(FAX) 907-983-2151

March 7, 1997

Mr. Joe Perkins, Commissioner
Alaska Department of Transportation and Public Facilities
3132 Channel Drive
Juneau, AK 99801-7898

Dear Commissioner Perkins,

The City of Skagway would like to be put on record in support of continuing operation of the Malaspina following delivery of the MV Kennicott in the Summer of 1998. This would be the first opportunity in many years for the Alaska Marine Highway System to increase capacity. There is also a significant potential that the continued operation of the Malaspina could be at least self liquidating, if not a revenue generator for the system.

We are also in support of operating the Malaspina as a day boat in the Upper Lynn Canal. This accomplishes two things. First, it offers a schedule that has arrivals during a consistent hour throughout the week. This is a great benefit to businesses that schedule operations around those of the AMHS.

Second, it allows the potential for some of the current Lynn Canal service to be shifted elsewhere in the system for the benefit of those communities that have increasing demands of their own, or have a historical record of low service levels.

We have an opportunity with the construction of the new vessel to offer the region the potential for enhanced economic prosperity. Given the recent downturn in the timber industry, and challenges in the fishing industry, this prosperity will be sorely needed and greatly appreciated.

After the current Southeast Alaska Transportation Plan is developed, and some of its components are implemented, it will then be more appropriate for the Malaspina to go into its well deserved retirement. In the meantime, it is a valuable asset that must be retained in support of the communities of Southeast Alaska.

Sincerely,



Sioux Plummer
Mayor

cc: Governor Knowles
Senator Mackie
Representative Kookesh
City Council
SE Mayors
Alaska Municipal League
Southeast Conference

MALASPINA 1998

Mr. Chairman, ladies and gentlemen, thank you for the opportunity to describe this proposed legislation, which seeks your approval to operate the M/V Malaspina in the Lynn Canal. The timing of this improved service was prompted in large part by two imperatives which required timely action.

The first imperative was the need to publish the summer '98 schedule not later than early January. Earlier publication was desirable, but at the latest, the schedule had to be available for the travel trade shows which take place following the holidays. The advertisers who had purchased space in the schedule book, the show attendees, and individual travelers depend upon early publication in order to make their plans. We had agreed to provide the schedules to the printer on 7 September, but events following the Prince Rupert blockade prevented that. The necessity to get a schedule to the printer was urgent, but we do have a finished product.

The second requirement was to provide for the contingency that the introduction of our new ship, the M/V Kennicott, might be delayed or interrupted. In the spring of 1997 the Marine Highway Advisory Board had cited a requirement for a backup ship. The logical ship for that purpose, and the only one with a capability approaching that of Kennicott, is the Malaspina.

Neither of the other mainline ships has the speed or capacity to meet the backup requirement, and in any case, both would be fully employed on other demanding routes.

Like all of our ships, Malaspina must hold a US Coast Guard Certificate of Inspection, issued each year. The Certificate in the case of the Malaspina expired on 31 October. If she is to operate at all in 1998, either as a temporary replacement for the Kennicott or in the Lynn Canal, she must be drydocked and inspected. In addition, her engines and generators have reached their maximum operating hours and require overhaul. We have already begun this work, which is not intended to do anything more than to make it legally possible for her to carry passengers in 1998.

Having gone to the effort of restoring the ship's capability to operate, it seemed to me that if she were not required to substitute for the Kennicott, we would have a significant, state capital asset which would not earn any income in the summer of 1998 if we were to simply leave her alongside the pier. The most prudent choice of a site for the Malaspina to operate this summer is the Lynn Canal, where her revenues can be maximized. That choice is based on the results of studies which show a 7.3 annual growth rate in the Juneau-Skagway city pair. The same studies show that, in calendar year 1995, ridership wholly within Lynn Canal exceeded 96,000 passengers and 27,000 vehicles, and generated nearly \$3.4 million in revenue. Additional traffic demand to ports of call

south of Juneau generated an additional 43,000 passengers and more than 11,000 vehicles, adding another \$1.7 million in marginal fare revenue attributable to the Lynn Canal segments of these trips. Operating seven days per week this summer, I believe the Malaspina can pay her way. She will bring to the Marine Highway something that it has not had until now; daily, predictable service on a high-demand route. Passengers, and their servicing travel agents, will be confident that they can move north or south in the Lynn Canal every day, at reasonable hours. It's the kind of service that individuals and businesses served by the Marine Highway have been seeking for years. Now the opportunity is in our grasp.

Earlier efforts to develop a Lynn Canal service had foundered on the issue of labor agreements. While we were not successful in reducing manning levels as much as had once been hoped, we were able to obtain agreement that if the ship's hotel services did not earn revenue adequate to justify the initial employment levels, those shipboard positions might be reduced proportionally. In other words, we are able to monitor revenue and if that income is not sufficient, adjust the crew level in the hotel area. I would like to take this opportunity to congratulate all of the unions involved in reaching a Malaspina agreement, but most especially the Inland Boatmen's Union, for the vision and imagination they have displayed. That willingness to break new ground will, I trust, prompt a similar response to this legislation.

I think it is important to point out that the Malaspina labor agreement is the first example of a labor-management document that does not increase shipboard labor costs in the entire history of the Alaska Marine Highway System, and perhaps in the history of the State of Alaska. The agreement creates an ongoing relationship between shipboard manning and the vessel's success as a business venture. This is, to say the least, a rare provision in any labor contract. This agreement is the first, to my knowledge, which establishes a relationship between the profitability of a Marine Highway operation and the number of jobs it supports.

The Malaspina labor agreement is unique. It is a stand-alone document, intended only for the special circumstances surrounding the Malaspina in the Lynn Canal setting. But I'd like to suggest that it is in the best interests of the State to encourage imaginative approaches to labor issues and to welcome the profitability concepts embodied in the proposed Malaspina operations.

Finally, the Malaspina/Lynn Canal proposal is offered as an innovation in meeting our transportation needs. It provides an opportunity to test, at minimum cost, one approach to a possible future System, namely the "dayboat." If our operational experience so indicates, it is possible that the Malaspina could be replaced by a purpose-built ship, one designed for the Lynn Canal and offering

even greater advantages. The conceptualization and design of that ship can be accomplished using the data we have gained from operating the Malaspina for a time in this role. This proposal will collect real data, in a controlled environment, in a kind of clinical setting.

In researching this proposal, I noted that every recent study of AMHS operations had one element that appeared repeatedly: a dayboat in the Lynn Canal. Many other conclusions were in conflict with one another, but the Lynn Canal dayboat idea was persistent. I believe that this concept is persistent because it makes both economic and operational sense.

In summary, the Malaspina/Lynn Canal proposal offers an opportunity to:

- Obtain maximum use of a capital asset.
- Provide long-sought daily service on a heavy demand route.
- Establish a profit-related basis for AMHS operations.
- Implement an innovative, lower-cost labor agreement.
- Test and evaluate the potential for dayboat operations.
- Operate the ship on a revenue-neutral basis.

I am aware that this proposal is viewed by some as radical and that it has evoked alarm in some quarters. The mere fact that it contemplates a ninth ship in the Marine Highway inventory is enough to cause some to object. I would like to suggest that this proposal is in fact consistent with the legislature's stated

objectives to reduce AMHS costs while augmenting service. Those objectives can not be met unless we alter our current operating concepts. I urge the legislature to make a start by approving this legislation and I look forward to cooperating with both houses as you examine this proposal.

Thank you for your time and for the opportunity to make this statement.

MALASPINA LYNN CANAL SERVICE

- Service Demand (internal Lynn Canal only)
 - ▶ 96,000 passengers annually
 - ▶ 27,000 vehicles annually
 - ▶ 5.3% - 7.3% annual growth rate
 - ▶ \$5,011,300. revenue

- Business Concept
 - ▶ Restore Coast Guard Certificate. winter '98 (\$750,000.)
 - ▶ Depart Juneau 7:00 AM. return 10:00 PM daily. *summer* only.
 - ▶ Initially. offer cafeteria service & staterooms.
 - ▶ Adjust hotel crew size to meet demand and maintain profitability.
 - ▶ Market the service aggressively and maximize ridership.

- Operating Costs
 - ▶ \$816,541. 29 May to 30 June
 - ▶ \$3,979,600. 1 July to 7 Sept., and June 1999
 - ▶ Includes \$710,000. layup winter 98-99

- Revenues
 - ▶ \$642,146. 29 May to 30 June
 - ▶ \$2,215,157. 1 July to 7 Sept., and June 1999

- Net GF requirement
 - ▶ \$174,395. FY 98
 - ▶ \$1,764,443. FY99

- Opportunities
 - ▶ Obtain maximum use of a capital asset.
 - ▶ Provide long-desired daily service on heavy demand route.
 - ▶ Establish a profit-related basis for AMHS operations.
 - ▶ Implement an innovative and reduced-cost labor agreement.
 - ▶ Test and evaluate the potential for dayboat service.
 - ▶ Operate the ship on a revenue-neutral basis.

FY98 ESTIMATE M/V M/V MALASPINA LYNN CANAL SERVICE

M/V MALASPINA Lynn Canal Service Only - 4.7 WEEKS

(May 29 thru June 30, 1998)

(Operates with reduced crew only under modified contract terms)

PROJECTED EXPENDITURES	
Personal Services	\$ 521,725
Travel	2,050
Contractual	78,875
Supplies	215,891
Equipment	-
Estimated Cost	\$ 816,541

PROJECTED TRAFFIC	TOTAL	PERWK	REV/WK	TOTAL
Passengers	22,568	4,823.0	\$ 130,221	\$ 533,906
Vehicles	2,068	440.0	\$ 26,400	\$ 108,240
		Estimated Revenue	\$	642,146

Net GF Requirement (174,395)

- > As a point of reference, the internal Lynn Canal traffic in 1995 was 96,487 passengers and 27,186 vehicles. This generated \$3,400,000 in revenue. It is important to note that this traffic and revenue was over an entire calendar year and served by by all the mainline vessels during the summer months.
- > External traffic added another \$1,569,900 in revenue, and 43,439 passengers/ 11,138 vehicles. External traffic is defined as that traffic originating from points other than Juneau/Haines/Skagway. Other mainline vessels will still be handling external traffic.
- > Revenue estimates assume a total from all sources (tariff & onboard sales) of approximately \$32.50 per passenger.
- > Expenditure estimates do not include additional non-permanent support staff at the terminals, reservations, fiscal and payroll sections. They do include increased supply and utility costs at the Haines, Skagway and Juneau terminals.

FY99 ESTIMATE M/V M/V MALASPINA LYNN CANAL SERVICE

M/V MALASPINA Lynn Canal Service Only - 14.7 WEEKS

(JULY-SEPT 7, 1998 & JUN 1999)

(Operates with reduced crew only under modified contract terms)

PROJECTED EXPENDITURES	
Personal Services	\$ 2,036,000
Travel	8,000
Contractual	375,000
Supplies	850,000
Equipment	-
Layup	710,600
Estimated Cost	\$ 3,979,600

PROJECTED TRAFFIC	TOTAL	PER/WK	REV/WK	TOTAL
Passengers	68,000	4,823.0	\$ 130,703	\$ 1,342,917
Vehicles	6,200	440.0	\$ 26,400	\$ 372,240
			Estimated Revenue	\$ 2,215,157

Net GF Requirement (1,764,443)

- > As a point of reference, the internal Lynn Canal traffic in 1995 was 96,487 passengers and 27,186 vehicles. This generated \$3,400,000 in revenue. It is important to note that this traffic and revenue was over an entire calendar year and served by by all the mainline vessels during the summer months.
- > External traffic added another \$1,569,900 in revenue, and 43,439 passengers/ 11,138 vehicles. External traffic is defined as that traffic originating from points other than Juneau/Haines/Skagway. Other mainline vessels will still be handling external traffic.
- > Revenue estimates assume a total from all sources (tariff & onboard sales) of approximately \$32.50 per passenger.
- > Expenditure estimates do not include additional non-permanent support staff at the terminals, reservations, fiscal and payroll sections. They do include increased supply and utility costs at the Haines, Skagway and Juneau terminals.

SUMMARY OF SIGNIFICANT CONTRACT CHANGES

M/V MALASPINA SUPPLEMENTA AGREEMENT

(NORTH LYNN CANAL SERVICE)

1. Provides a meet & confer process for timely adjustments to crew sizes based upon traffic volumes and available funding levels.
2. Eliminates most/all travel expenses associated with crew change-outs.
3. Limits State's "unearned wage" liability for injury/illness to max. 12 hrs. pay.
4. Provides 24-hr. grace period prior to "split wage" liability resulting from absent crew members.
5. Eliminates 84-hour "minimum guarantee" pay for Relief employees; paid only for actual time worked.
6. Provides for daily (rather than weekly) annual/medical leave usage.

MALASPINA LYNN CANAL SERVICE

- Service Demand (internal Lynn Canal only)
 - ▶ 96,000 passengers annually
 - ▶ 27,000 vehicles annually
 - ▶ 5.3% - 7.3% annual growth rate
 - ▶ \$5,011,300. revenue

- Business Concept
 - ▶ Restore Coast Guard Certificate, winter '98 (\$750,000.)
 - ▶ Depart Juneau 7:00 AM, return 10:00 PM daily, *summer* only.
 - ▶ Initially, offer cafeteria service & staterooms.
 - ▶ Adjust hotel crew size to meet demand and maintain profitability.
 - ▶ Market the service aggressively and maximize ridership.

- Operating Costs
 - ▶ \$816,541. 29 May to 30 June
 - ▶ \$3,979,600. 1 July to 7 Sept., and June 1999
 - ▶ Includes \$710,000. layup winter 98-99

- Revenues
 - ▶ \$642,146. 29 May to 30 June
 - ▶ \$2,215,157. 1 July to 7 Sept., and June 1999

- Net GF requirement
 - ▶ \$174,395. FY 98
 - ▶ \$1,764,443. FY99

- Opportunities
 - ▶ Obtain maximum use of a capital asset.
 - ▶ Provide long-desired daily service on heavy demand route.
 - ▶ Establish a profit-related basis for AMHS operations.
 - ▶ Implement an innovative and reduced-cost labor agreement.
 - ▶ Test and evaluate the potential for dayboat service.
 - ▶ Operate the ship on a revenue-neutral basis.

SOUTHEAST CONFERENCE

An Alaska Regional Development Organization and USDA Resource Conservation and Development Council

A RESOLUTION SUPPORTING THE INTER-ISLAND FERRY AUTHORITY

(Resolution 98-20)

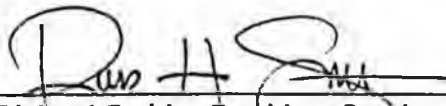
- WHEREAS** the island communities of Southeast Alaska are connected with each other and with other travel modes by our ferry services, and
- WHEREAS** state owned and operated ferry service to the outport communities of Southeast Alaska has been reduced to its lowest level since it was established in 1974, and
- WHEREAS** in light of the fact that ferry service to the island communities of Southeast Alaska is the main highway between communities and AMHS scheduling does not provide adequate year-around service to these communities, and
- WHEREAS** state law provides for and encourages establishment of community transportation authorities to meet their own transportation needs, and
- WHEREAS** several island communities of Southeast Alaska have formed, under State law, the Inter-Island Ferry Authority for the purpose of constructing and operating a feeder vessel ferry system for inter-island transportation and commerce, and
- WHEREAS** the Inter-Island Ferry Authority is necessary to meet the transportation needs of the island communities of Southern Southeast Alaska.

NOW THEREFORE BE IT RESOLVED THAT:

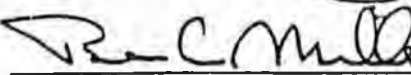
Southeast Conference supports the Inter-Island Ferry Authority in developing and operating feeder vessels from Prince of Wales Island to Ketchikan, Wrangell, Mitkof Island, and other island communities in Southern Southeast Alaska.

ADOPTED BY SOUTHEAST CONFERENCE ON SEPTEMBER 20, 1997.

Witness:


Richard Smith - President Southeast Conference

Attest:


Berne C. Miller - Executive Director

SOUTHEAST CONFERENCE

An Alaska Regional Development Organization and USDA Resource Conservation and Development Council

A RESOLUTION URGING STATE SUPPORT FOR INCREASED INDEPENDENT INVOLVEMENT IN THE ALASKA MARINE HIGHWAY SYSTEM

(Resolution 98-06)

- WHEREAS** the Alaska Marine Highway System is the lifeblood of southeast Alaska's economic and social life, without which its communities would wither and die, and
- WHEREAS** current Marine Highway System capacity is insufficient to meet demand during peak summer periods and is infrequent and inconvenient at other times, thereby constraining economic development and social relations affecting Southeast Alaska's residents, and
- WHEREAS** the State of Alaska will likely be unable to commit the resources needed to replace existing vessels in a timely manner, let alone purchase new vessels, and
- WHEREAS** the Prince of Wales Island Port Authority and the Goldbelt Corporation are both currently developing concepts, plans, and proposals for independent construction and operation of ferries on routes in Southeast Alaska, and
- WHEREAS** execution of these and similar projects would increase marine transportation system capacity in Southeast Alaska, thereby helping strengthen and diversify the region's economy, to the benefit of Southeast Alaska's people and the people of other parts of the State as well.

NOW THEREFORE BE IT RESOLVED THAT:

Southeast Conference urges the State of Alaska to facilitate development of independent ferry service in Southeast Alaska by soliciting private sector ideas about how Marine Highway System capacity can be increased, by encouraging public-private partnerships in marine transportation system development, and by constructing related transportation links as appropriate.

Southeast Conference requests the Administration to encourage and facilitate private sector efforts so that when an independent project is determined to be operationally and financially feasible, every effort is made to qualify such projects as integral parts of transportation system development plans for Southeast Alaska and for the State as a whole.

ADOPTED BY SOUTHEAST CONFERENCE ON SEPTEMBER 20, 1997.

Witness:


Richard Smith - President Southeast Conference

Attest:


Berne C. Miller - Executive Director

City of Skagway
P.O. Box 415
Skagway, AK 99840
(907)983-2297 Phone
(907)983-2151 Fax

February 4, 1998

Senator Jerry Mackie
State Capitol, Room 427
Juneau, AK 99801-1182

Dear Senator Mackie,

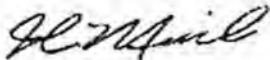
As you know, the City of Skagway is greatly interested in the prospect of operating the Malaspina as a day boat in the Lynn Canal. We see this as an opportunity to address a capacity bottleneck at this end of the system, provide consistent and convenient service to this highly utilized system component, and to free up other AMHS vessels for increased service to other southward ports.

We are also aware of the budgetary challenges facing the State as you consider the implementation of this service. To this end we have secured a commitment from our private dock owner, the White Pass Corporation, for free winter berthing of the Malaspina during lay-up. I am also willing to go to the City Council for additional incentives in utility services if necessary to make the retention of the Malaspina more economically viable.

We feel very strongly that the provision of dayboat service, using the Malaspina, is of sufficient impact to the City and the region that we make this offer in an attempt to overcome at least a portion of the fiscal impediments you face. I have spoken with Mr. Doll at AMHS about our offer, and am willing to speak with any legislative or administrative body to move this idea forward. Please let me know what else I can do to assist you in your efforts to secure the funding for this dayboat operation. You can contact me at 983-2250, or Bob Ward, our City Manager, at 983-2297.

I hope this gives you some ammunition as you enter into this battle.

Sincerely,



John Mielke
Mayor

cc: Governor Knowles
Representative Kookesh
Senate Transportation Committee
House Transportation Committee
Commissioner Perkins - DOTPF
Bob Doll, Alaska Marine Highway System

DRAFT OPERATING PLAN 1998-1999
Dated November 15, 1997

Vessel Operations	3vo Wks Op Plan	Weekly FY 97 Costs	Total Op Plan Op Costs	Overhaul Weeks Op Plan	Weekly Pers Costs Overhaul	Total Op Plan Overhaul	Lay-Up Weeks Op Plan E	Weekly FY 97 Costs Layup	Total Op Plan Lay-Up	Total Op Plan Overall Costs	Total Estimated Revenue
Columbia	34.8	224,328.0	7,761,079.6	6.6	57,673	378,994	10.7	65,174	698,293	8,838,968	8,857,491
Kennicott	41.9	234,700.0	8,833,930.0	6.6	55,000	361,429	0.0	0	0	10,195,359	10,829,100
Matanooka	28.6	170,087.0	4,863,916.2	23.6	32,000	754,206	0.0		0	5,618,202	5,240,156
Taku	39.0	157,932.0	6,159,348.0	8.6	40,000	344,000	0.0		0	6,503,348	6,077,026
Aurora	38.7	88,453.0	3,423,131.1	13.3	68,845	915,639	0.0		0	4,338,770	1,890,398
LeConte	45.4	88,284.0	4,462,093.6	6.6	65,369	429,568	0.0		0	4,891,661	1,629,649
Sub-total	228.2	973,782.0	36,504,098.5	65.2	318,887	3,183,915	10.7	65,174	698,293	40,386,308	34,523,820
All Vessels		20,438	1,062,776							1,062,776	
SE Vessels Risk Mgmt FY 97		46,134	2,946,203							2,946,203	
SE Vessels Shore Side		11,978	622,757							622,757	
SE Vessels Leave		147,985	7,695,220							7,695,220	
TOTAL SE		1,200,295	48,831,055	65.2	318,887	3,183,915	10.7143	65,174	698,293	62,713,282	34,523,820
Tustumena	45.7	84,187	3,847,345.9	21.9	49,925	1,091,218	0.0	0	0.0	4,938,563.8	2,410,859.0
Barlott	23.9	60,158	1,437,776.2	6.9	54,574	374,222	21.2	5,238	111,045.8	1,923,042.5	1,679,141.0
Sub-total	69.6	144,345	5,285,122	28.7	104,499	1,465,440	21.2	5,238	111,046	6,861,607	4,090,000
All Vessels		8,227	427,804							427,804	
SW Vessels Risk Mgmt FY 97		14,164	736,551							736,551	
SW Vessels Shore Side		0	0							0	
SW Vessels Leave		47,167	2,452,684							2,452,684	
TOTAL SW		213,903	8,902,101	28.7	104,499	1,465,440	21.2	5,238	111,046	10,476,646	4,090,000
TOTAL SYSTEM	297.8	1,414,199	57,733,215	93.9	423,386	4,649,354	31.9	70,412	809,339	63,191,908	38,613,820

	EST. EXPENSE	FUNDING	AMOUNT
VESSELS	63,191,908	FY97 REVENUE	38,872,500
SHORE COSTS	9,140,900	FY98 GF	27,440,000
TOTAL FY99	72,338,808	SUBTOTAL	66,312,500
SHORTFALL	(9,026,308)		

AMHS FUND SUMMARY

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Beginning Fund Balance	40,538.3	45,601.0	46,136.7	45,424.2	46,249.1	44,048.6	\$41,677.6	\$38,209.1
AMHS General Fund Appropriation	30,670.0	30,000.0	28,715.8	28,397.2	28,263.2	28,433.2	\$30,940.0	\$28,200.0
CIP Receipts/Interagency Receipts	1,003.3	1,288.0	1,320.0	1,341.0	1,768.0	1,028.1	\$1,157.4	\$1,227.4
AMHS Expenditures	(69,709.0)	(71,624.0)	(71,124.0)	(71,138.0)	(71,351.4)	(70,851.9)	(\$73,203.9)	(\$72,338.8)
AMHS Building				(500.0)				
AMHS Overhaul				500.0				
Other Fund Transfers Out(DOT/PF)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	0.0	\$0.0	\$0.0
Cash In Transit or Due from Other Fund	207.0				468.0	149.1		
AMHS Revenues	42,837.7	40,878.0	40,372.5	42,231.0	38,656.0	38,072.5	\$37,638.0	\$38,613.0
Ending Fund Balance	45,601.0	46,136.7	45,422.7	46,249.1	44,048.6	41,677.6	\$38,209.1	\$33,911.5

NOTE: Beginning with FY98 CIP and I/A Receipts and associated expenditures are not included in the annual financial Balance Sheet or Statement of Activity in the Annual Financial Report. This is due to changes in GAAP.

The figures on this document for FY92 thru FY96 balance to the Alaska Marine Highway System Fund Trial Balance.

These figures include CIP receipts and associated expenditures. Since the AMHS Administrative Building and AMHS Overhaul appropriations are a part of the fund, expenditures and or re-appropriations are reflected.

AMHS Historical Data

FY	Revenue	General Fund Appropriation	Operating Expenditures	Passenger Traffic	Vehicle Traffic	Service Weeks			
						Total AMHS	Mainline	Feeder	Southwest
76	\$ 15,165	\$ 13,541	\$ 28,706	270,039	68,608	(data unavailable)			
77	17,640	15,943	33,584	283,123	71,204	326.1	150.1	93.5	82.6
78	16,163	18,247	34,410	229,879	59,354	352.3	143.6	126.1	82.6
79	19,280	18,698	37,978	280,561	69,238	350.1	141.4	121.8	87.0
80	21,165	24,755	45,920	300,971	72,459	341.5	137.1	117.4	87.0
81	24,746	26,384	51,130	337,635	30,510	337.1	119.7	130.4	87.0
82	29,069	27,154	56,223	350,379	85,466	356.6	139.2	130.4	87.0
83	29,925	30,139	60,064	364,358	91,721	344.0	133.0	125.0	86.0
84	32,510	29,752	62,262	368,613	93,544	358.0	144.0	129.0	85.0
85	33,708	31,603	65,310	366,910	99,164	369.0	148.0	133.5	87.5
86	33,601	32,301	65,902	363,881	95,880	372.7	151.6	136.7	84.4
87	33,126	29,949	63,075	358,375	96,104	343.9	139.3	118.3	86.3
88	34,308	28,863	63,171	325,449	84,796	308.8	138.5	85.9	84.4
89	35,907	29,264	65,171	338,258	88,789	313.5	135.3	96.9	81.3
90	36,122	31,800	67,037	354,258	92,991	307.5	137.5	88.7	81.3
91	42,561	37,100	73,250	366,026	94,517	297.1	142.3	88.8	66.0
92	42,838	30,670	68,993	374,001	96,863	305.4	141.0	91.9	72.5
93	40,879	30,000	70,950	351,525	92,561	296.4	126.9	89.7	79.8
94	40,373	28,716	69,123	350,200	93,962	297.7	140.4	80.0	77.3
95	42,231	28,397	69,938	345,030	91,026	307.2	142.1	83.6	81.5
96	38,537	28,263	68,714	329,398	88,823	292.6	136.8	85.2	70.6

NOTES:

Weeks of service for FY's 77-82 is based on "months of service" listed in historical records and may be inexact.

The MV Aurora came on line late in FY 77.

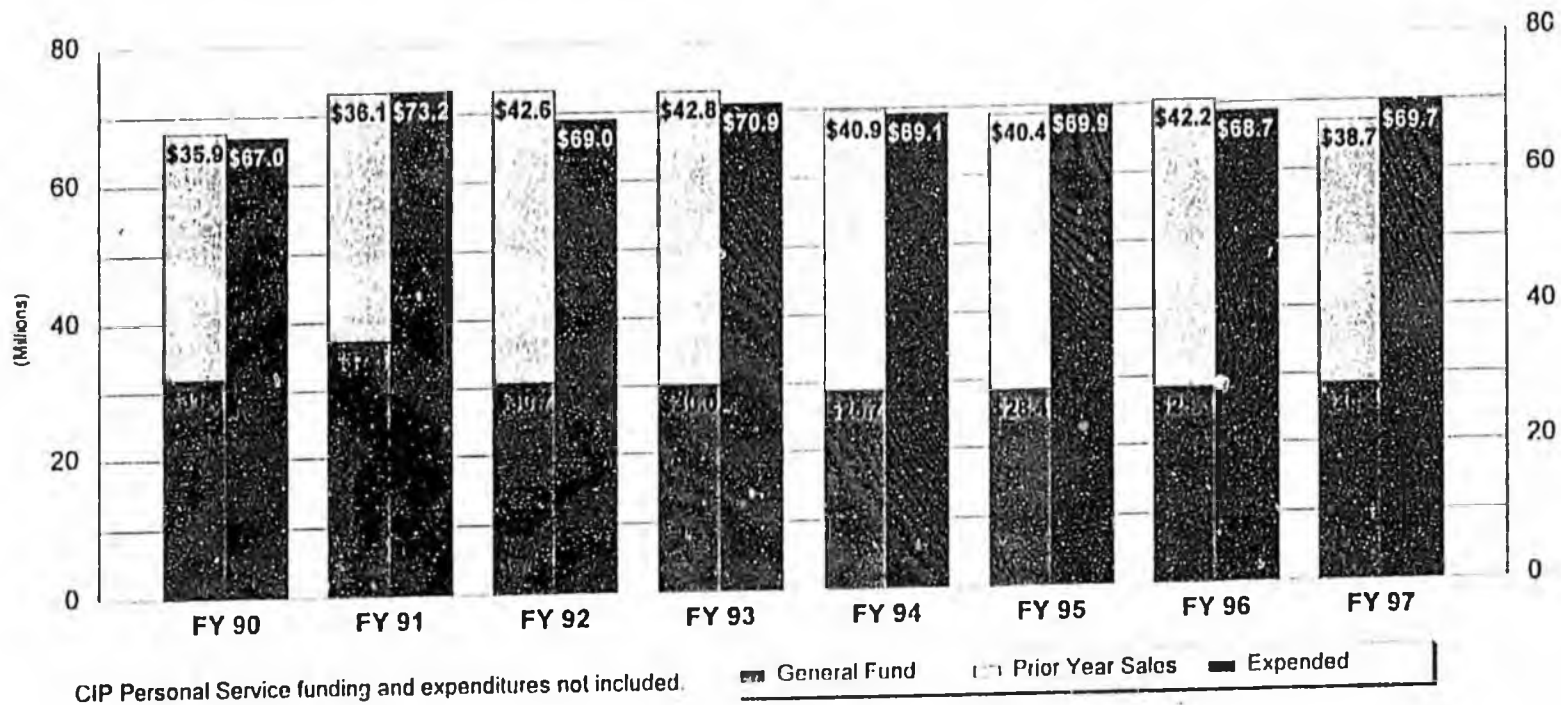
The MV Chilkat served Hollis and Metlakatla year-round through FY 87, then provided limited winter service in FY 88 and in FY 90, its last year of operation for the State.

Major refurbishment projects, affecting the level of service, occurred as follows:

- FY 79 Taku minor upgrade, 10/78 - 3/79
- FY 81 Taku refurbishment 10/80 - 8/81
- FY 83 Malaspina re-engine 10/82 - 5/83
- FY 85 Matanuska re-engine 11/84 - 6/85
- FY 89 Taku in overhaul, 9/25/88 - 2/2/89
- FY 90 Malaspina in overhaul 3/1/90 - 6/13/90
- FY 91 Tustumena refurbishment 10/17/90 - 5/17/91
- FY 92 Malaspina refurbishment 10/11/91 - 2/14/92; Bartlett aux refurbishment 9/15/91 - 1/19/92
- FY 93 Columbia aux refurbishment (Because Columbia normally in layup during winter, this did not affect service.)
Taku repower and overhaul 9/30/92 - 6/28/93)
- FY 94 Aurora elevator project 1/4 - 5/9/94; Tustumena propulsion refurbishment 12/6/93 - 4/30/94
- FY 95 Matanuska project 9/30/94 - 2/5/95; LeConte elevator project 12/28/94 - 4/10/95
- FY 96 Matanuska galley refurbishment 1/10 - 5/14/96; Taku Life Raft & SOLAR Fire Safety upgrade 11/6/95 - 6/2/96
Tustumena overhaul and repower project 10/30/95 - 5/5/96

Funding and Expenditures

FY 90 - 97



M/V MALASPINA FY-99 SERVICE LIFE EXTENSION PROGRAM

The DOT&PF Alaska Marine Highway System has initiated action to utilize Federal Highway Administration funding to accomplish the following projects in order to utilize the services of Malaspina for North Lynn Canal service in FY-99 and beyond.

- The vessel will require the replacement of deteriorated steel curtain plate to continue service. The replacement of curtain plate is the subject of an 835 citation by the USCG requiring action by November 1997. Temporary repairs are planned and a one year extension of time to correct this deficiency is being sought.
- To continue safe and reliable service the vessel will require replacement of the side and stern doors similar to the work already completed on the MATANUSKA and the TAKU. The issue is a safety concern in operating the vessel in a following sea where there is water coming onto the main deck through the leaking stern doors.
- The solarium windows leak and require replacement with new windows similar work accomplished on other AMHS vessels. Without this work the solarium space becomes limited in use during the wet weather.
- The vessel's exterior paint is badly in need of blasting and painting. The scope of work includes blasting ten to fifteen percent of the surfaces to near white metal condition and application of two coats of primer and a final new coating to current standards. The scope of work includes from the sponson guard to the stack (blue, white, yellow, and weather decks).
- The mooring winch requires replacement and is a safety issue for continued reliable service. Due to equipment age, replacement parts are no longer available for components of this deck machinery.
- There is asbestos in the overheads of the cafeteria, both boat deck foyers and the forward lounge. While encapsulation may be possible, removal is the proper solution particularly in these high traffic public spaces.
- In order for the vessel to provide extended service, phase 2 design funding is required. Candidate projects include main engine replacement, required SOLAS / CFR upgrades, lube oil recovery system, public space upgrades including a potential day boat conversion, and lead paint abatement.

In order to accomplish the above work the vessel is in immediate need of the following funding:

Description	Amount
1. Curtain plate replacement	\$207,000.00
2. Side and stern door replacement	\$600,000.00
3. Solarium refurbishment	\$130,000.00
4. Exterior painting, vessel guard and up	\$600,000.00
5. Mooring winch machinery replacement	\$250,000.00
6. Asbestos abatement	\$320,000.00
7. Design (Phase 2) funding future upgrades	\$350,000.00
Total Funding	\$2,457,000.00

**CITY AND BOROUGH OF YAKUTAT, ALASKA
RESOLUTION 98-04**

A RESOLUTION REQUESTING THE ALASKA MARINE HIGHWAY SYSTEM TO INCLUDE YAKUTAT AS A PORT OF REGULAR SERVICE.

WHEREAS, Yakutat is one of Southeast Alaska's fastest growing areas and a hub for services of all types on the Gulf of Alaska Coast; and,

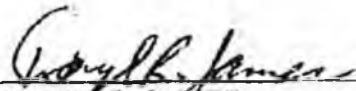
WHEREAS, Yakutat is the only major community in southeast Alaska without ferry system services; and,

WHEREAS, Yakutat has existing facilities able to serve the ferry system during stops in Yakutat.

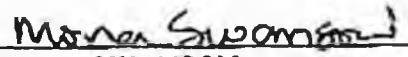
NOW, THEREFORE, BE IT RESOLVED, that the Alaska Marine Highway System include Yakutat as a regular stop on it's "Cross Gulf" schedule and also as a destination to be added to it's Southeast Alaska schedule.

PASSED AND APPROVED THIS 3rd DAY OF February, 1998.





DARYL R. JAMES
Mayor



MONA SWANSON
Borough Clerk