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**ALASKA MARINE  
HIGHWAY SYSTEM**

**House Transportation Committee**

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Prepared by House Transportation  
Committee

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October 26th, 1989

TO: House Transportation Committee members

FROM: Representative Bette Cato

SUBJECT: Alaska Marine Highway System

During the past 4 months, House Transportation Committee staff and I have been working on an overview of the Alaska Marine Highway System. A detailed analysis has also been completed on House bill 81 - An act establishing an Alaska Marine Highway Authority.

While I realize there are still many questions that need to be answered, I feel strongly that it is time to take a good hard look at the current system. It is becoming increasingly evident that AMH is having difficulty keeping up with the demands being placed upon the system. This is not surprizing when we consider the system is now 25 years old and no significant changes have taken place during this time.

Aging vessels, coupled with budgetary constraints force ships to be off line for longer periods of time. As a result, several areas in our state have winter service schedules that are totally inadequate. No funds have been identified for vessel replacemant. No alternate deployment scenario has been proposed. The system just seems to be *existing* year to year.

AMHS and DOT/PF management have continually assured me the department is aware of the concerns and changes will be made. While I commend each Director and Commissioner for their efforts, the basic problem still remains: There has been no continuity in AMHS management. During the past 4 years, the leadership of the system has changed 6 times (3 Commissioners and 3 Directors). This causes the AMHS to be in a constant holding pattern while new management become familiar with the marine highway. It is therefore not surprizing that the Master plan for AMH is now two years overdue. This is disastrous when we realize that federal funding authorized in SLA 86 for hi-speed ferries cannot be approved until a Master Plan is adopted.

The AMHS operates like a business. The vessels sail 24 hours a day, 365 days a year. Like any business, it needs to have strong leadership, a well defined plan for the future and the ability to respond quickly to change. If the system is to survive, it cannot continue to be subject to politics and bureaucracy. It is time to provide the system with the autonomy it needs to operate efficiently. I feel the creation of an Alaska Marine Highway Authority would accomplish this goal. While AMHS would still be an instrumentality within DOT/PF, an authority would provide management with the autonomy to aggressively plan for the future and the continuity to implement these plans.

I apologize if I have been too outspoken on this issue, but as many of you are aware, the marine highway system is something I have always felt very strongly about. In compiling this report, I realized how many hours have been spent studying the problems of the system. I am sorry to say, very few of the recommendations made have ever been implemented.

I hope this report will provide you with background information and ideas from which to base your decisions. If you would like any further information, please do not hesitate to contact the staff in my Anchorage office, 561-7625.

Thank you.

# THE ALASKA MARINE HIGHWAY AUTHORITY

THIS YEAR, THE ALASKA MARINE HIGHWAY SYSTEM CELEBRATED IT'S 25TH ANNIVERSARY. THE SYSTEM HAS UNDERGONE MANY CHANGES SINCE IT WAS FIRST ESTABLISHED IN THE EARLY 1960'S. DEMANDS ON THE SYSTEM CONTINUE TO GROW WHILE THE FUNDS AVAILABLE TO RUN THE SYSTEM HAVE NOT INCREASED SIGNIFICANTLY OVER THE PAST 4-5 YEARS.

SEVERAL REPORTS/STUDIES COMPLETED DURING THE PAST 5 YEARS HAVE LOOKED AT ALTERNATIVES FOR THE SYSTEM. CONCERNS HAVE BEEN EXPRESSED ABOUT THE ABILITY OF THE A.M.H.S. TO CONTINUE TO PROVIDE ADEQUATE, EFFICIENT AND ECONOMICAL TRANSPORTATION SERVICE FOR ALASKA.

One area that draws constant debate is the overall mission and expectations of the AMHS.

Proponents of the system feel strongly that:

- The AMHS is a vital link in the state's transportation system. There is no private service for transportation of passengers, vehicles or roll on/roll off freight containers on many of the statewide routes or schedules maintained by the AMHS
- While general fund appropriations are needed to maintain the system, the revenues generated cover over 50% of the total costs needed to run the system.
- the mission of the system is being fulfilled by AMH and, given the service obligations, proponents feel it is impressive that the system is able to return over 50% of it's operational costs.

DOT/PF acknowledge changes are still needed, however management feels there needs to be some clarification of what exactly have been the problems and what specific fundamental changes are desired in modifying how the system functions. Management feels many improvements and changes have been implemented over the past few years and that once *clearly* defined, other areas of concern will be addressed.

## WHY CHANGES ARE NEEDED

In April 1984, former Governor Bill Sheffield's AMHS Task Force concluded, among other issues, that the system needed to redefine its goals due to changes in needs and priorities since the start of the system in 1963. The Task Force felt there was a definite "lack of continuity of purpose" and a need for a comprehensive plan to provide for future operations." The main issue the Task Force seemed concerned about was ensuring continuity in top department and AMHS management.

Today, almost 5 years later, the AMHS Master Plan is still not completed. This report, due almost 2 years ago, is expected to be available at the end of 1989.

With the recent resignation of the AMHS Director, Mr. George Davidson, continuity in AMHS management continues to be of concern. During the past 5 years, three directors and three Commissioners have managed the system. Without a concrete plan in place and with no continuity in management, real concerns over the future of the AMHS continue to be raised.

After numerous meetings and discussions, the following points summarize several of the main areas of concern:

- Many of the ships in the current fleet are old. The cost of maintaining the vessels continues to increase while funds to run the system appear to be decreasing.
- The system does not appear to have kept pace with industry changes. Basically, the ships utilized by the system today are the same vessels that were originally purchased 25 years ago. Large, inefficient mainline vessels are still providing in-state feeder route service.
- No funds are available for vessel replacement. With the high cost of vessel replacement (Columbia \$70 million, Malaspina \$53 million), the time is fast approaching when major capital funds are going to be required to purchase new vessels. To date, no funding source has been identified. With a total yearly federal DOT allocation of approximately \$140 million, it would take almost half of the state's total yearly allocation to replace a vessel. With

many other ongoing transportation projects, this approach would severely impact the allocation of funds to other much needed transportation projects and, at best, one existing vessel could be replaced.

- Each year, the amount of time vessels are off-line is increasing. This, in part, is due to the lack of adequate funding and also because the age of the vessels make overhaul periods more lengthy. Regardless, service to much needed areas like Cordova is affected.
- Many of the recommendations made by the Governor's Task Force in 1984 have not been implemented. While there is a tremendous number of studies on alternatives for the AMHS, the system today is much the same as it was 25 years ago.
- While federal and general funds (\$4,905,000) have been authorized to build high speed ferries, the department has not evaluated any high speed ferry vessels or alternative deployment scenarios. These funds remain on hold pending completion of the system master plan.
- Opportunities to expand/increase service by working with other ship lines such as Gotland have not been fully capitalized upon. AMHS is now faced with trying to respond to the impacts felt by Gotlands presence in the marketplace.
- The AMHS appears to be unable to make quick decisions when required. While departmental support staff are beneficial to the system, state procurement procedure and state bureaucracy reduce the systems ability to make much needed immediate management decisions. Vessels remain off-line for long periods of time while departmental procedures and requirements are adhered to.

## SUMMARY

After 25 years of operation, it is time to look at the future of the AMHS. While the original statement of mission for the system still holds true today, (to provide a vital link in the state's transportation system), many other factors now need to be considered. With the demands continually increasing, the marketplace constantly changing, technology becoming more sophisticated, and the budgeting process becoming more uncertain, it is time to look very carefully at the future of this important system.

### THE BASIC QUESTIONS REMAIN:

1. What *exactly* is the desired role of the AMHS?
2. What changes/plans need to be implemented today to ensure the AMHS will continue to provide efficient in-state transportation services in future years?
3. In what direction should the system be headed?
4. What expectations do we have for the system?
5. How can the current system be improved upon?

# THE ALASKA MARINE HIGHWAY AUTHORITY

## HOUSE BILL 81

THE PURPOSE OF HOUSE BILL 81 IS TO ESTABLISH AN AUTHORITY FOR THE OPERATION, MANAGEMENT, PLANNING, AND CONSTRUCTION OF FACILITIES FOR THE MARINE HIGHWAY SYSTEM WITH A LEGAL EXISTENCE INDEPENDENT AND SEPARATE FROM STATE GOVERNMENT.

THIS REPORT WILL ATTEMPT TO GO THROUGH EACH SECTION OF HOUSE BILL 81 AND ADDRESS THE INTENT OF THE BILL AND ANSWER QUESTIONS THAT HAVE BEEN RAISED CONCERNING EACH AREA.

### 1. CREATION OF THE AUTHORITY

THE AUTHORITY IS ESTABLISHED AS A PUBLIC CORPORATION. WHILE THE AUTHORITY IS STILL AN INSTRUMENTALITY OF THE STATE WITHIN THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, IT HAS A LEGAL EXISTENCE INDEPENDENT OF AND SEPARATE FROM THE STATE.

ESSENTIALLY, THE AUTHORITY IS RESPONSIBLE FOR THE OVERALL MANAGEMENT OF THE AMHS. THE BOARD OF DIRECTORS FOR THE AUTHORITY ANSWER DIRECTLY TO THE GOVERNOR. WHILE THE AUTHORITY HAS A LEGAL EXISTENCE OF IT'S OWN, IT IS STILL AN INSTRUMENTALITY WITHIN THE D.O.T AND THEREFORE LEGALLY STILL CONSIDERED TO BE A STATE AGENCY.

The AMHS was established in the early 1960's. Voters approved the sale of bonds to fund four vessels, the M/V Tustemena, M/V Matanuska, M/V Taku and the M/V Malispina. Since that time, 5 more vessels have been added to the fleet which now comprises a total of nine vessels.

The mission of the AMHS is derived form a variety of sources. Its enabling legislation provided its initial direction. The mission for the AMHS is stated as follows:

## Mission statement of AMHS:

The AMHS serves as a marine mode alternative in lieu of a land highway system, and provides basic access among and between the communities which it serves and the continental surface transportation network. To the extent that capacity and fiscal capability is available to provide services at a level beyond basic access to Alaskan communities, service will be provided to spread system costs over a larger traffic base permitting better service to Alaskans and supporting local economic development.

Many questions concerning the direction, policies, mission and overall operations of the AMHS under the authority have been raised.

The following information attempts to review House bill 81 (Establishing and Alaska Marine Highway Authority). Each section of the bill is discussed and questions that may need to be addressed have been raised.

## THE ORGANIZATION

The authority consists of seven directors appointed by the Governor:

- a representative of commercial carrier
- a representative of the maritime industry
- a representative from the tourism industry
- four members of the public at large served by the marine highway system as follows:
  - a. one member from region one (extending from Dixon Entrance to Icy Cape)
  - b. one member from region two (Kodiak Island)
  - c. one member from region three (Prince William Sound)
  - d. one member from region four (Interior Alaska)

The directors serve at the pleasure of the governor for four year terms.

The directors must be residents of the state and shall comply with the requirements of AS 39.50 (Conflict of Interest).

Directors of the authority will serve without compensation but are entitled to travel and per diem expenses authorized by law for state boards and commissions.

### Question

- a. *Should the Board of Directors be increased to include the Commissioner of the Department of Transportation and Public Facilities?*
  
- b. *What criteria should govern board composition? Should an employee sit on the board? Should there be other government officials on the board?*
  
- c. *Should there be a requirement for one member to have at least 5 to 10 years experience in marine highway management. In order to adequately meet this requirement should the instate residency requirement be waived for this seat?*
  
- d. *Is there a need to have a representative from an employee bargaining unit/union on the board?*
  
- e. *Do members of the board need to be confirmed by the legislature?*

## STAFF

The authority shall employ an executive director who serves at the pleasure of the authority as its chief administrative officer. The executive director may, with the approval of the authority, select and employ staff as necessary. Employees of the authority other than legal counsel and the executive director are in the classified service under AS 30.25. In addition to regular employees the authority may contract for and engage the services of those persons/agencies the authority considers necessary for the purpose of developing information, studies, hearings, investigations or other proceedings.

## Question

*1. Will employees of the authority be state employees?*

Yes. All employees of the authority except the executive director and legal counsel are in the classified service under AS 39.25. Employees will therefore be subject to all requirements and benefits outlined under Chapter 39 (Public Officers and Employees statute).

*Who currently negotiates union contracts on behalf of the state and the A.M.H.S.?*

The negotiating team for the state consists of two representatives including the chief spokesman from the Department of Administration; two representatives from the Alaska Marine Highway System (usually the Personnel Officer and the Assistant Director); and this past year a representative from the DOT&PF headquarters staff.

*Will the authority have direct control over the labor relations functions, particularly collective bargaining?*

The state labor relations agency will remain the negotiating team for the A.M.H.S. It would seem beneficial to have two members from the authority as part of the state negotiating team. Currently, two members from A.M.H.S sit on the negotiating team. Consideration could be given to changing/adding members to the negotiating team to include members from the authority. Ultimately, the final labor relations decisions rest with the Governor. Under an authority this would not change.

## PERSONNEL AND UNIONS

What unions currently represent employees of the A.M.H.S.? What is the status of each union contract?

Currently, all vessel employees are represented by one of three unions:

**The Inland Boatman's union** - This union represents the largest group of ferry workers. Approximately 625 workers belong to this union. Contract talks with IBU representatives and the administration ceased this summer when union members overwhelmingly rejected a wage agreement with the AMHS. Talks will not resume again until February 1990 when the workers' three year contract requires wage talks to begin for the contract's final year.

**Masters, Mates and Pilots Association** - representing 65 licensed captains and deck officers, has been working without a contract since March, 1988. This union has been working under yearly agreements until both sides can come to terms on a contract.

**Marine Engineers Beneficial Association** - This union represents approximately 60 employees. The union reached agreement on a three year contract June, 1989 calling for a wage reopener. The issue of a cost of living increase still needs to be agreed upon before April 1, 1990.

Four other unions represent 121 shoreside personnel:

Alaska State Employees Association  
Alaska Public Employees Association  
Public Employees Local 71  
Public Employees Association

SOUTHEAST SYSTEM

Employees hired prior to April 1, 1985

Years of Continuous Service	Vacation Accrual (hours per year)
1 but less than 2	84 = 1 work week, or 2 wks vacation
2 but less than 3	168 = 2 work weeks, or 4 wks vacation
3 but less than 4	252 = 3 work weeks, or 6 wks vacation
4 but less than 5	336 = 4 work weeks, or 8 wks vacation
5 but less than 7	420 = 5 work weeks, or 10 wks vacation
7 but less than 10	504 = 6 work weeks, or 12 wks vacation
10 or more	588 = 7 work weeks, or 14 wks vacation

Employees hired after April 1, 1985

Years of Continuous Service	Vacation Accrual (hours per year)
1 but less than 2	84 = 1 work week, or 2 wks vacation
2 but less than 3	168 = 2 work weeks, or 4 wks vacation
3 but less than 4	252 = 3 work weeks, or 6 wks vacation
4 but less than 5	336 = 4 work weeks, or 8 wks vacation
5 or more	420 = 5 work weeks, or 10 wks vacation

The tables above are covering the employees in the southeast system. The employees in the southwest system of IBU earn "A" days (accumulated days off) based on the following schedule for each day that they work:

SOUTHWEST SYSTEM

Employees hired prior to April 1, 1985

Years in the System	Accrual Rate
0 but less than 2	1/2 day
2 but less than 3	2/3 day
3 but less than 7	3/4 day
7 but less than 9	7/8 day
9 or more	1 day

Employees hired April 1, 1985 and after

Years in the System	Accrual Rate
0 but less than 2	1/2 day
2 but less than 5	5/8 day
5 but less than 7	3/4 day
7 or more	7/8 day

Members of the MM&P union employed on the M/V TUSTUMENA earn southeast accruals for each month of employment as well as 1/2 an "A" day for each day worked. MM&P employees on the M/V BARTLETT receive 12 days of vacation for each thirty (30) days of employment.

Members of the MEBA union in the southwest system receive personal leave instead of vacation and sick leave. Those employees hired prior to April 1, 1985, receive 12.75 days per month; those employees hired after April 1, 1985, receive 11.75 days per month.

9. In view of the fact that many AMHS employees work a week on week off schedule, how many total days/weeks would each group of employees ~~work~~ be off work each year for vacation?

Southeast employees normally work 84 hours during a work week; their work schedule is to work one week followed by one week off. They earn leave for the 84 hours worked in one week but receive no leave credit for the week off. This in itself would equate to the employees receiving 26 weeks off during the course of a year plus the vacation accruals as listed above.

Comparison of Productive Hours/Year: Vessel and shore employees.

If employees take 100% of the leave they accrue each year, how many hours of productive time would be left, assuming no sick leave consumption?

IBU - Southeast

(1) No. of weeks/ year	(2) Vac hours/ year	(3) Vac weeks/ year (2)/42	(4) Weeks avail for work (1)-(3)	(5) Week/on Week/off avail- ability (4)/(2)	(6) Hours/ week	(7) Produc- tive hours/ year (5)*(6)	(8) No of empls in this catgry
52	84	2	50	25	84	2,100	25
52	168	4	48	24	84	2,016	14
52	252	6	46	23	84	1,932	36
52	336	8	44	22	84	1,848	30
52	420	10	42	21	84	1,764	43
52	504	12	40	20	84	1,680	65
52	588	14	38	19	84	1,596	129

Shore side Employees

(1) No. of weeks/ year	(2) Vac hours/ year	(3) Vac weeks/ year (2)/37.5	(4) Weeks avail for work (1)-(3)	(5) Week/on Week/off avail- ability (4)/(2)	(6) Hours/ week	(7) Produc- tive hours/ year (4)*(6)	(8) No of empls in this catgry
52	112.5	3.0	49.0	N/A	37.5	1,837.5	unknown
52	157.5	4.2	47.8	N/A	37.5	1,792.5	unknown
52	180.0	4.8	47.2	N/A	37.5	1,770.0	unknown
52	225.0	6.0	46.0	N/A	37.5	1,725.0	unknown

SW employees in IBU work 8 hour days continuously. MM&P and MEBA employees work 8 hours per day on M/V TUSTUMENA and 12 hours per day on the M/V BARTLETT. Only time off is for vacation or sick leave.

10. How many relief employees were hired to cover vacation leave during FY 88 or FY 89? What was the cost to the system for these relief employees?

In FY 88, 2 new temporary employees were hired in MM&P; 30 new temporary employees were hired in MEBA; and 90 new temporary employees were hired in IBU. In FY 89, to date, 8 new temporary employees have been hired in MEBA; 28 new temporary employees have been hired in IBU; none have been hired in MM&P.

To hire the 118 IBU employees for 6 pay periods and the 40 licensed employees for approximately 168 hours equals approximately \$1,036,100.00 plus benefits. These new employees provided coverage for summer positions, vacation leave and sick leave. Other full time permanent employees provide vacation coverage on a regular basis.

11. Currently, what are the unions that represent Alaska Marine Highway employees? How many employees belong to each union or bargaining unit?

VESSEL  
EMPLOYEES

IBU 625  
MEBA 80  
MM&P 60

SHORESIDE EMPLOYEES

Exempt 5  
LTC 6  
Supervisory 17  
Confidential 7  
General  
Government 115

## 12. How long is each union contract/agreement in place for?

IBU currently has a three year agreement with the State of Alaska, with yearly wage reopeners, which will expire on March 31, 1991. MM&P has a one year agreement which will expire March 31, 1989. MEBA does not currently have an agreement in place; negotiations are continuing in order to reach a long term agreement.

## 13. Who currently negotiates these contracts on behalf of the state?

The negotiating team for the State consists of two representatives including the chief spokesman from the Department of Administration, Division of Labor Relations; two representatives from the Alaska Marine Highway System, usually the Personnel Officer and the Assistant Director; and this past year we have included a representative from the DOT&PF headquarters staff.

## 14. What is the anticipated annual cost, including accumulated debt, by employee vacation accrual?

The most recent figures in EIS indicate the following accruals per year. The dollar values shown assume that the accrued hours would be paid at today's wages. COLA compensation is not included. The following table shows the value of outstanding leave liability.

Category	Accrual/Year		Use/Year		Contribution to debt/Year	
	Hours	Dollars	Hours	Dollars	Hours	Dollars
SE IBU vacation	171,180	2,512,900	161,370	2,368,890	9,810	144,010
SE MEBA vacation	36,600	303,370	35,480	778,790	1,120	24,580
SE MM&P vacation	28,990	662,711	25,100	573,790	3,890	88,930
Total SE	236,770	3,978,981	221,950	3,721,470	14,820	257,520
SW IBU A-days	92,400	1,118,040	87,100	1,053,910	5,300	64,130
SW MEBA Pers. Lv.	10,970	174,400	10,630	168,990	340	5,410
SW MM&P A-days	6,220	112,100	5,390	97,140	830	14,960
SW MM&P vacation	12,300	191,000	10,650	165,380	1,650	25,620
Total SW	121,890	1,595,540	113,770	1,485,420	8,120	110,120
Total SE and SW	358,660	5,574,521	335,720	5,206,890	22,940	367,640

Note: "Dollars" are estimated based on average wage per hour by bargaining unit. COLA compensation is not included. "Use" in SW is estimated based on SE rates.

AMHS Outstanding Leave Liability\*  
as of 9-30-88

<u>HOURS</u>	<u>IBUP</u>	<u>MEBA</u>	<u>MM&amp;P</u>
SE vacation	139,497	33,722	23,589
SW vacation	313	1,182	8,555
SW personal lv	588	9,766	0
SW A-days	<u>62,963</u>	<u>474</u>	<u>4,653</u>
TOTAL	203,361	45,144	36,797
TOTAL VACATION HOURS.....			285,302
SE sick lv	233,834	57,940	67,918
SW sick lv	<u>43,175</u>	<u>1,982</u>	<u>12,470</u>
TOTAL	277,009	59,922	80,388
TOTAL SICK LEAVE HOURS.....			417,319

<u>DOLLARS</u>	<u>IBUP</u>	<u>MEBA</u>	<u>MM&amp;P</u>
SE vacation	2,329,600	785,700	594,400
SW vacation	4,200	20,200	157,300
SW personal lv	8,000	167,200	0
SW A-days	<u>851,900</u>	<u>8,100</u>	<u>85,600</u>
Total	3,193,700	981,200	837,300
TOTAL VACATION \$\$'s.....			5,012,200
SE sick lv	3,905,000	1,350,000	1,711,500
SW sick lv	<u>584,200</u>	<u>33,900</u>	<u>229,300</u>
Total	4,489,200	1,383,900	1,940,800
TOTAL SICK LEAVE \$\$'s.....			7,813,900
TOTAL SYSTEM LEAVE LIABILITY.....			<u><u>\$12,826,100</u></u>

\*"Hours" represents actual figures. "Dollars" represents an estimate based on average wage per hour by bargaining unit. COLA compensation is not included.

## POWERS OF THE AUTHORITY

The authority has been granted power to:

- adopt and enforce bylaws and regulation for the conduct of its business and for the use of its services and facilities.
- maintain offices at places in the state that are served by the marine highway system.
- subject to appropriation of the legislature, acquire, hold, use and dispose of its income, revenues, funds, and money.
- operate, maintain, improve, and extend a system of ferries connecting with the public roads and highways of the state.
- establish rates and tariffs, after public hearings.
- modify routes, after public meetings.
- acquire, hold, use, lease, rent, construct, and dispose of real and personal property for its purposes.
- sue and be sued
- adopt an official seal.

## DUTIES OF THE AUTHORITY

House Bill 81 stipulates duties for the authority:

- Assist the residents, businesses, and communities of the state in obtaining the best and most frequent possible marine passenger and freight service.
- Schedule vessel sailings to maximize the frequency of service to all ports.

- Encourage and integrate with other public and private carriers to provide maximum service within the state and between Alaska and ports outside the state.
- encourage in state vessel maintenance, construction and service to the greatest extent possible.
- employ residents of the state to the greatest extent possible.
- provide reservation access and marketing information throughout the state
- recognize Alaska based unions and employee associations.
- require prepayment of reservations

The authority would provide the marine highway system with the autonomy it needs to make day to day management decisions. Currently, the Commissioner of DOT/PF is given direct and full responsibility for all modes of transportation including roads, airports and ferries. With the size of the department and the number of responsibilities, it is impossible for any Commissioner to be involved in the decisions affecting the system on a daily basis. The authority would provide continuity of leadership on a continual basis. In contrast to the Commissioner, board members for the authority would have a single purpose.

Decisions affecting the system such as vessel replacement, labor relations, routing, fare increases, budgetary concerns, etc. would be dealt with on an ongoing basis by the board of directors and employees of the authority. Essentially, instead of the decisions being made by one person who is responsible for the entire transportation system, you would have seven members who would deal with all issues affecting the *AMHS only*, on a continual daily basis.

Focusing this much time and attention ("brainpower") in one single area will no doubt benefit the system. Many people argue that management of any business is the key to its success.

## ALASKA MARINE HIGHWAY SHORE FACILITIES

There are currently 35 AMHS shore facilities within Alaska. 18 of these shore facilities are owned by the State of Alaska (AMHS). The remaining 17 facilities are owned by other entities or individuals and leased by the AMHS.

Under the authority, it is proposed that all shore facilities and land currently used by the AMHS to provide service would be transferred/leased to the authority.

House bill 81 (Page 3 line 20) provides the authority with the following powers:

- a. maintain offices at a place in the state and at places out of state that are served by the marine highway system.
- b. acquire, hold, use, rent, lease, construct, and dispose of real and personal property for its purpose.
- c. operate, maintain, improve, and extend a system of ferries connecting with the public roads and highways of the state including the boats, vessels, wharves, docks, approaches, landings, and appurtenances the authority determines to be necessary or desirable for safe and efficient operation of the ferry system.

### QUESTION

- a. *How should land ownership be handled insofar as terminal holdings are concerned?  
Should title to the land be given to the authority?*

The land and facilities currently utilized by the A.M.H.S belongs to several different entities. The State Department of Transportation holds title to a majority of the land however, the Department of Natural Resources also has title to some of this land. In addition, the land and facilities leased by the A.M.H.S. is owned by cities, boroughs and private individuals. It is anticipated the leases currently in place with the A.M.H.S. could be transferred or renegotiated by the authority. The questions surrounding the lands currently held by the state would need to be addressed. Should land currently held by the state and utilized by the A.M.H.S. be transferred to the authority?

*b. What restrictions, if any, should apply to appropriate land uses?*

*c. What about public use of this land?*

This section is somewhat unclear. Page 6, Line 18 states the authority may adopt regulations governing the use of ferry terminal facilities by the public.

*d. Should any powers of eminent domain be granted?*

*e. Is there a need to more clearly define the specific power of the authority to manage, lease, purchase, dispose or exchange lands that belong to the state?*

House bill 81 provides the authority with the power to acquire, purchase, gift or exchange privately or publicly owned land in fee simple or easements that it considers necessary and reasonable for either temporary or permanent public use. The authority may vacate land by filing a deed in the appropriate recording district. This land would then revert to the persons, heirs, or successors to whom it was vested at the time of taking.

The authority may transfer land not considered necessary for use to the Department of Natural Resources for disposal. Proceeds of disposal shall be credited to the funds from which the purchase was originally made.

*g. Is there a need for the Department of Natural Resources to approve any land purchases by the authority?*

The authority may acquire land or materials notwithstanding the fact that title to it is vested in the state or a department, agency, commission, or institution of the state.

*h. What about purchasing supplies and equipment? Would State Procurement Policies need to be followed?*

Page 6 Line 13 states that any purchasing undertaken for the acquisition or maintenance of ferry terminal facilities are governed by AS 36.30 (State Procurement Code)

## AMHS - owned facilities

Angoon  
Auke Bay  
Clark Bay  
Cordova  
Haines  
Hollis  
Hoonah  
Kake  
Ketchikan  
KVMF/South Berth  
Metlakatla  
Petersburg  
Sitka  
Skagway  
Tenakee  
Valdez  
Whittier  
Wrangell

## Non-AMHS owned facilities

Chignik  
Cold Bay  
Cordova  
Homer  
King Cove  
Kodiak  
Ouzinkie  
Pelican  
Port Lions  
Prince Rupert  
Sand Point  
Seattle  
Seldovia  
Seward  
Tatitleh/Ellamar  
Unalaska  
Valdez

In 1988, AMHS, Marine Facilities engineering division completed a condition survey report for all 36 shore facilities. The following pages outline the status of each facility

AMHS Shore Facility Long Term

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1989	Hoonah	Illumination	3	Improve area lighting	
1989	Hoonah	Parking	3	Provide and delineate long-term and transient parking	
1989	Hoonah	Staging	3	Enlarge staging area	\$400,000
1989	Valdez	Fendering	3	Replace fender systems	\$120,000
1990	Petersburg	Other: Sea-plane float	5		\$100,000
1992	Metlakatla/ Walden Pt.	Lift/Pontoon	0	Add ballast handling or ramp adjusting system	
1992	Metlakatla/ Walden Pt.	Building	8	Renovate for indoor plumbing	
1992	Metlakatla/ Walden Pt.	Power	8	Provide auxiliary/emergency generator	
1992	Metlakatla/ Walden Pt.	Sewer	0	Provide sewer system	
1992	Metlakatla/ Walden Pt.	Water	0	Provide water system	\$250,000
1992	Tenakee Springs	Fendering	6	Replace timber fender piles on dock	\$ 40,000
1994	Petersburg	Fendering	6	Replace southern lead in fender	
1994	Petersburg	Illumination	8	Improve to accommodate improved parking/staging area	
1994	Petersburg	Mooring	6	Add zincs to piles	
1994	Petersburg	Mooring	6	Replace southern lead in dolphin	
1994	Petersburg	Parking	6	Reconstruct and reconfigure parking area	
1994	Petersburg	Staging	6	Reconstruct and reconfigure staging area	\$450,000
1995	Auke Bay-mainline	Sewer	6	Replace with secondary system/ marine outfall or tie to city system	\$ 30,000
1995	Clark Bay	Basin	7	Remove pinnacles on approach to allow larger vessels	
1995	Clark Bay	Building	5	Provide new building with all amenities, like Sitka	

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1997	Whittier	Catwalks/ Gangways	0	Reconfigure for TUSTEMENA	
1997	Whittier	Fendering	0	Add fendering for TUSTEMENA	
1997	Whittier	Mooring	0	Add mooring structures for TUSTEMENA	
1997	Whittier	Transfer	0	Construct TUSTEMENA	\$550,000
1995	Multiple				
	Angoon	Mooring	8	Add zincs to piles	
	Auke Bay	Mooring	8	Add zincs to piles	
	- Mainline				
	Haines	Mooring	8	Add zincs to piles	
	Hoonah	Mooring	8	Add zincs to piles	
	Skagway	Mooring	8	Add zincs to piles	
	Tenakee Springs	Mooring	8	Add zincs to piles	\$ 25,000
2000	Angoon	Parking	4	Provide and delineate transient and long-term parking	
2000	Angoon	Illumination	8	Reconfigure for new terminal building	
2000	Angoon	Building	0	Construct new terminal building	
2000	Angoon	Power	0	Construct power system with terminal building	
2000	Angoon	Sewer	0	Construct sewer system with terminal building	
2000	Angoon	Staging	7	Expand and delineate traffic pattern	
2000	Angoon	Water	0	Construct water system with terminal building	\$500,000
2001	Auke Bay-mainline	Building	9	Expand terminal building	
2001	Auke Bay-mainline	Power	9	Improve to accommodate improvements	\$150,000
2001	Haines	Building	8	Expand terminal building and add covered walkways	
2001	Haines	Fendering	6	Replace bulkhead fendering	
2001	Haines	Mooring	6	Rehabilitate/repair bulkhead	
2001	Haines	Power	9	Improve power system to accommodate terminal building expansion	
2001	Haines	Sewer	8	Improve to accommodate expanded terminal building	
2001	Haines	Water	7	Develop new potable source, provide system to ship, and expand terminal	\$1,000,000
2001	Hoonah	Mooring	0	Add dolphins to allow larger vessels	
2001	Hoonah	Fendering	0	Add fender systems for larger vessels	
2001	Hoonah	Catwalks/ Gangways	0	Add catwalks/gangways for larger vessels	\$300,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Sitka	Mooring	5	Add zincs to piles	
	Whittier	Mooring	0	Add zincs to piles	
	Wrangell	Mooring	8	Add zincs to piles	\$ 40,000
	Multiple - Auke Bay	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 60,000
	Auke Bay	Transfer	8	Clean and recoat bridge, replace worn hinges	\$ 80,000
	Haines	Catwalks/ Gangways	9	Clean and recoat catwalks and gangways	\$ 30,000
	Haines	Transfer	9	Clean and recoat	\$ 80,000
	Ketchikan-mainline	Catwalks/ Gangways	8	Clean and recoat catwalks and gangways	\$ 40,000
	Ketchikan-mainline	Lift/Pontoon	9	Clean and recoat pontoon	\$ 80,000
	Ketchikan-mainline	Transfer	9	Clean and recoat	\$ 80,000
	KVMF South Berth	Workfloat	9	Clean and recoat workfloats	\$150,000
	KVMF South Berth	Lift/Pontoon	9	Clean, recoat and change zincs	\$100,000
	KVMF South Berth	Transfer	9	Clean and recoat	\$ 80,000
	Metlakatla	Lift/Pontoon	7	Clean, recoat pontoon, change zincs	\$100,000
	Petersburg	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 60,000
	Petersburg	Lift/Pontoon	9	Clean and recoat barge, change zincs	\$ 80,000
	Petersburg	Transfer	9	Clean and recoat transfer bridge	\$ 80,000
	Sitka	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 20,000
	Sitka	Lift/Pontoon	9	Clean and recoat, change zincs	\$ 80,000
	Sitka	Transfer	9	Clean and recoat transfer bridge	\$ 80,000
Skagway	Catwalks/ Gangways	7	Clean and recoat catwalks/gangways	\$ 20,000	
Skagway	Transfer	8	Clean and recoat pedestrian transfer bridge	\$100,000	
Tenakee Springs	Lift/Pontoon	9	Clean, recoat, and replace zincs	\$ 80,000	
Whittier	Catwalks/ Gangways	9	Clean and recoat	\$ 20,000	
Whittier	Transfer	9	Clean and recoat	\$ 80,000	
Wrangell	Catwalks/ Gangways	8	Clean and recoat catwalks/gangways	\$ 40,000	
Wrangell	Transfer	9	Clean and recoat transfer bridge	\$ 80,000	
				TOTAL	\$1,700,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Wrangell	Power	8	Improve power system with terminal expansion	
2001	Wrangell	Building	9	Enlarge terminal building	
2001	Wrangell	Water	9	Improve water system with terminal expansion	
2001	Wrangell	Illumination	9	Improve illumination with enlarged terminal building	\$190,000
2001	Valdez	Mooring	7	Replace existing dolphins if new alignment not selected by 2006	\$700,000
2001	Whittier	Basin	9	Maintenance dredge	\$100,000
2016	Angoon	Fendering	8	Replace fendering system	\$ 50,000
2016	Auke Bay-mainline	Mooring	9	Replace mooring system	
2016	Auke Bay-mainline	Fendering	9	Replace fendering system	
2016	Auke Bay-mainline	Catwalks/ Gangways	9	Replace catwalks/gangways	\$300,000
2016	Cordova	Mooring	7	Replace backup	
2016	Cordova	Lift/Pontoon	7	Replace lift system	\$270,000
2016	Hoonah	Building	6	Replace terminal building	\$250,000
2016	Ketchikan-mainline	Mooring	7	Replace remaining dolphins and dock	
2016	Ketchikan-mainline	Fendering	7	Replace fender systems on remaining structures	
2016	Ketchikan-mainline	Catwalks/ Gangways	8	Replace catwalks and gangways	\$520,000
2016	Sitka	Mooring	9	Replace mooring system on dock	
2016	Sitka	Fendering	9	Replace dock fendering	\$220,000
2016	Skagway	Mooring	7	Replace dolphin "R"	
2016	Skagway	Mooring	7	Replace dolphin "A"	
2016	Skagway	Fendering	7	Construct new fender system on dolphin "A"	\$180,000
2016	Tenakee Springs	Mooring	8	Replace mooring system	
2016	Tenakee Springs	Fendering	8	Replace fendering system	
2016	Tenakee Springs	Transfer	9	Replace transfer system	\$220,000
2016	Wrangell	Fendering	8	Replace steel dolphin fendering	\$ 60,000
2026	Haines	Mooring	9	Replace steel dolphin	
2026	Haines	Fendering	9	Replace steel dolphin fendering	
2026	Haines	Catwalks/ Gangways	9	Replace steel catwalks/gangways	
2026	Haines	Lift/Pontoon	9	Replace lift system	
2026	Haines	Transfer	9	Replace transfer bridge	\$820,000

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

AMHS Shore Facility Long Term

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1989	Hoonah	Illumination	3	Improve area lighting	
1989	Hoonah	Parking	3	Provide and delineate long-term and transient parking	
1989	Hoonah	Staging	3	Enlarge staging area	\$400,000
1989	Valdez	Fendering	3	Replace fender systems	\$120,000
1990	Petersburg	Other: Sea-plane float	5		\$100,000
1992	Metlakatla/ Walden Pt.	Lift/Pontoon	0	Add ballast handling or ramp adjusting system	
1992	Metlakatla/ Walden Pt.	Building	8	Renovate for indoor plumbing	
1992	Metlakatla/ Walden Pt.	Power	8	Provide auxiliary/emergency generator	
1992	Metlakatla/ Walden Pt.	Sewer	0	Provide sewer system	
1992	Metlakatla/ Walden Pt.	Water	0	Provide water system	\$250,000
1992	Tenakee Springs	Fendering	6	Replace timber fender piles on dock	\$ 40,000
1994	Petersburg	Fendering	6	Replace southern lead in fender	
1994	Petersburg	Illumination	8	Improve to accommodate improved parking/staging area	
1994	Petersburg	Mooring	6	Add zincs to piles	
1994	Petersburg	Mooring	6	Replace southern lead in dolphin	
1994	Petersburg	Parking	6	Reconstruct and reconfigure parking area	
1994	Petersburg	Staging	6	Reconstruct and reconfigure staging area	\$450,000
1995	Auke Bay-mainline	Sewer	6	Replace with secondary system/ marine outfall or tie to city system	\$ 30,000
1995	Clark Bay	Basin	7	Remove pinnacles on approach to allow larger vessels	
1995	Clark Bay	Building	5	Provide new building with all amenities, like Sitka	

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1995	Clark Bay	Catwalks/ Gangways	0	Add catwalks/gangways for larger vessels	
1995	Clark Bay	Fendering	0	Add fender systems for larger vessels	
1995	Clark Bay	Mooring	0	Add dolphins to allow larger vessels	
1995	Clark Bay	Building	3	Construct new terminal building	\$500,000
1995	Haines	Catwalks/ Gangways	4	Replace timber catwalks	
1995	Haines	Fendering	5	Replace timber dolphin fendering	
1992	Haines	Mooring	5	Replace timber dolphins on new alignment	\$150,000
1995	Hoonah	Lift/Pontoon	6	Inspect and replace pontoon anchor chains as necessary	
1995	Hoonah	Sewer	3	Connect to city sewer system	
1995	Hoonah	Water	3	Connect to city water system	\$ 60,000
1995	Kake	Building	1	Construct new terminal building	
1995	Kake	Illumination	0	Provide illumination	
1995	Kake	Lift/Pontoon	6	Inspect and replace pontoon anchor chains as necessary	
1995	Kake	Parking	7	Provide delineated transient and long-term parking	
1995	Kake	Power	0	Provide power for apron lift system and illumination	
1995	Kake	Sewer	0	Construct sewer system for terminal building	
1995	Kake	Staging	7	Enlarge and delineate traffic patterns	
1995	Kake	Transfer	4	Provide shore power to apron lift system	
1995	Kake	Water	0	Construct water system for terminal building	\$450,000
1995	Metlakatla/ Walden Pt.	Catwalks/ Gangways	0	Add catwalks and gangways	
1995	Metlakatla/ Walden Pt.	Fendering	0	Add fender systems for larger vessels	
1995	Metlakatla/ Walden Pt.	Mooring	0	Add dolphins to allow for larger vessels	
1995	Metlakatla/ Walden Pt.	Parking	9	Pave & deliniate parking area	
1995	Metlakatla/ Walden Pt.	Staging	9	Pave staging area	\$350,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1997	Whittier	Catwalks/ Gangways	0	Reconfigure for TUSTEMENA	
1997	Whittier	Fendering	0	Add fendering for TUSTEMENA	
1997	Whittier	Mooring	0	Add mooring structures for TUSTEMENA	
1997	Whittier	Transfer	0	Construct TUSTEMENA	\$550,000
1995	Multiple				
	Angoon	Mooring	8	Add zincs to piles	
	Auke Bay	Mooring	8	Add zincs to piles	
	- Mainline				
	Haines	Mooring	8	Add zincs to piles	
	Hoonah	Mooring	8	Add zincs to piles	
	Skagway	Mooring	8	Add zincs to piles	
	Tenakee Springs	Mooring	8	Add zincs to piles	\$ 25,000
2000	Angoon	Parking	4	Provide and delineate transient and long-term parking	
2000	Angoon	Illumination	8	Reconfigure for new terminal building	
2000	Angoon	Building	0	Construct new terminal building	
2000	Angoon	Power	0	Construct power system with terminal building	
2000	Angoon	Sewer	0	Construct sewer system with terminal building	
2000	Angoon	Staging	7	Expand and delineate traffic pattern	
2000	Angoon	Water	0	Construct water system with terminal building	\$500,000
2001	Auke Bay-mainline	Building	9	Expand terminal building	
2001	Auke Bay-mainline	Power	9	Improve to accommodate improvements	\$150,000
2001	Haines	Building	8	Expand terminal building and add covered walkways	
2001	Haines	Fendering	6	Replace bulkhead fendering	
2001	Haines	Mooring	6	Rehabilitate/repair bulkhead	
2001	Haines	Power	9	Improve power system to accommodate terminal building expansion	
2001	Haines	Sewer	8	Improve to accommodate expanded terminal building	
2001	Haines	Water	7	Develop new potable source, provide system to ship, and expand terminal	\$1,000,000
2001	Hoonah	Mooring	0	Add dolphins to allow larger vessels	
2001	Hoonah	Fendering	0	Add fender systems for larger vessels	
2001	Hoonah	Catwalks/ Gangways	0	Add catwalks/gangways for larger vessels	\$300,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Kake	Mooring	0	Add dolphins to allow larger vessels	
2001	Kake	Fendering	0	Add fender systems for larger vessels	
2001	Kake	Catwalks/ Gangways	0	Add catwalks/gangways for larger vessels	\$300,000
2001	KVMF South Berth	Water	9	Replace worn elements	
2001	KVMF South Berth	Sewer	9	Replace worn elements	
2001	KVMF South Berth	Power	9	Increase capacity and replace worn elements	\$380,000
2001	Petersburg	Building	8	Expand terminal building	
2001	Petersburg	Water	9	Improve water system to accommodate terminal expansion	
2001	Petersburg	Sewer	9	Improve sewer system to accommodate terminal expansion	
2001	Petersburg	Power	9	Improve power system to accommodate terminal expansion	\$340,000
2001	Sitka	Building	9	Expand terminal building	
2001	Sitka	Water	9	Improve water system to accommodate terminal building expansion	
2001	Sitka	Sewer	9	Improve sewer system to accommodate terminal building expansion	
2001	Sitka	Power	9	Improve to accommodate improved/expanded terminal building	\$190,000
2001	Tenakee Springs	Water	0	Provide water system	
2001	Tenakee Springs	Sewer	0	Provide sewer system	
2001	Tenakee Springs	Power	8	Upgrade capacity as required	
2001	Tenakee Springs	Building	9	Expand, enclose, install interior lighting and provide heat and restrooms	\$240,000
2001	Multiple - Auke Bay - Secondary	Mooring	9	Add zincs to piles	
	Ketchikan - Mainline	Mooring	5	Add zincs to piles	
	Ketchikan - Secondary	Mooring	0	Add zincs to piles	
	KVMF South Berth	Mooring	0	Add zincs to piles	
	Metlakatla/ Walden Pt.	Mooring	0	Add zincs to piles	

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Sitka	Mooring	5	Add zincs to piles	
	Whittier	Mooring	0	Add zincs to piles	
	Wrangell	Mooring	8	Add zincs to piles	\$ 40,000
	Multiple -				
	Auke Bay	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 60,000
	Auke Bay	Transfer	8	Clean and recoat bridge, replace worn hinges	\$ 80,000
	Haines	Catwalks/ Gangways	9	Clean and recoat catwalks and gangways	\$ 30,000
	Haines	Transfer	9	Clean and recoat	\$ 80,000
	Ketchikan-mainline	Catwalks/ Gangways	8	Clean and recoat catwalks and gangways	\$ 40,000
	Ketchikan-mainline	Lift/Pontoon	9	Clean and recoat pontoon	\$ 80,000
	Ketchikan-mainline	Transfer	9	Clean and recoat	\$ 80,000
	KVMF South Berth	Workfloat	9	Clean and recoat workfloats	\$150,000
	KVMF South Berth	Lift/Pontoon	9	Clean, recoat and change zincs	\$100,000
	KVMF South Berth	Transfer	9	Clean and recoat	\$ 80,000
	Metlakatla	Lift/Pontoon	7	Clean, recoat pontoon, change zincs	\$100,000
	Petersburg	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 60,000
	Petersburg	Lift/Pontoon	9	Clean and recoat barge, change zincs	\$ 80,000
	Petersburg	Transfer	9	Clean and recoat transfer bridge	\$ 80,000
	Sitka	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 20,000
	Sitka	Lift/Pontoon	9	Clean and recoat, change zincs	\$ 80,000
	Sitka	Transfer	9	Clean and recoat transfer bridge	\$ 80,000
	Skagway	Catwalks/ Gangways	7	Clean and recoat catwalks/gangways	\$ 20,000
Skagway	Transfer	8	Clean and recoat pedestrian transfer bridge	\$100,000	
Tenakee Springs	Lift/Pontoon	9	Clean, recoat, and replace zincs	\$ 80,000	
Whittier	Catwalks/ Gangways	9	Clean and recoat	\$ 20,000	
Whittier	Transfer	9	Clean and recoat	\$ 80,000	
Wrangell	Catwalks/ Gangways	8	Clean and recoat catwalks/gangways	\$ 40,000	
Wrangell	Transfer	9	Clean and recoat transfer bridge	\$ 80,000	
			TOTAL	\$1,700,000	

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Kake	Mooring	0	Add dolphins to allow larger vessels	
2001	Kake	Fendering	0	Add fender systems for larger vessels	
2001	Kake	Catwalks/ Gangways	0	Add catwalks/gangways for larger vessels	\$300,000
2001	KVMF South Berth	Water	9	Replace worn elements	
2001	KVMF South Berth	Sewer	9	Replace worn elements	
2001	KVMF South Berth	Power	9	Increase capacity and replace worn elements	\$380,000
2001	Petersburg	Building	8	Expand terminal building	
2001	Petersburg	Water	9	Improve water system to accommodate terminal expansion	
2001	Petersburg	Sewer	9	Improve sewer system to accommodate terminal expansion	
2001	Petersburg	Power	9	Improve power system to accommodate terminal expansion	\$340,000
2001	Sitka	Building	9	Expand terminal building	
2001	Sitka	Water	9	Improve water system to accommodate terminal building expansion	
2001	Sitka	Sewer	9	Improve sewer system to accommodate terminal building expansion	
2001	Sitka	Power	9	Improve to accommodate improved/expanded terminal building	\$190,000
2001	Tenakee Springs	Water	0	Provide water system	
2001	Tenakee Springs	Sewer	0	Provide sewer system	
2001	Tenakee Springs	Power	8	Upgrade capacity as required	
2001	Tenakee Springs	Building	9	Expand, enclose, install interior lighting and provide heat and restrooms	\$240,000
2001	Multiple - Auke Bay - Secondary	Mooring	9	Add zincs to piles	
	Ketchikan - Mainline	Mooring	5	Add zincs to piles	
	Ketchikan - Secondary	Mooring	0	Add zincs to piles	
	KVMF South Berth	Mooring	0	Add zincs to piles	
	Metlakatla/ Walden Pt.	Mooring	0	Add zincs to piles	

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Wrangell	Power	8	Improve power system with terminal expansion	
2001	Wrangell	Building	9	Enlarge terminal building	
2001	Wrangell	Water	9	Improve water system with terminal expansion	
2001	Wrangell	Illumination	9	Improve illumination with enlarged terminal building	\$190,000
2001	Valdez	Mooring	7	Replace existing dolphins if new alignment not selected by 2006	\$700,000
2001	Whittier	Basin	9	Maintenance dredge	\$100,000
2016	Angoon	Fendering	8	Replace fendering system	\$ 50,000
2016	Auke Bay-mainline	Mooring	9	Replace mooring system	
2016	Auke Bay-mainline	Fendering	9	Replace fendering system	
2016	Auke Bay-mainline	Catwalks/ Gangways	9	Replace catwalks/gangways	\$300,000
2016	Cordova	Mooring	7	Replace backup	
2016	Cordova	Lift/Pontoon	7	Replace lift system	\$270,000
2016	Hoonah	Building	6	Replace terminal building	\$250,000
2016	Ketchikan-mainline	Mooring	7	Replace remaining dolphins and dock	
2016	Ketchikan-mainline	Fendering	7	Replace fender systems on remaining structures	
2016	Ketchikan-mainline	Catwalks/ Gangways	8	Replace catwalks and gangways	\$520,000
2016	Sitka	Mooring	9	Replace mooring system on dock	
2016	Sitka	Fendering	9	Replace dock fendering	\$220,000
2016	Skagway	Mooring	7	Replace dolphin "R"	
2016	Skagway	Mooring	7	Replace dolphin "A"	
2016	Skagway	Fendering	7	Construct new fender system on dolphin "A"	\$180,000
2016	Tenakee Springs	Mooring	8	Replace mooring system	
2016	Tenakee Springs	Fendering	8	Replace fendering system	
2016	Tenakee Springs	Transfer	9	Replace transfer system	\$220,000
2016	Wrangell	Fendering	8	Replace steel dolphin fendering	\$ 60,000
2026	Haines	Mooring	9	Replace steel dolphin	
2026	Haines	Fendering	9	Replace steel dolphin fendering	
2026	Haines	Catwalks/ Gangways	9	Replace steel catwalks/gangways	
2026	Haines	Lift/Pontoon	9	Replace lift system	
2026	Haines	Transfer	9	Replace transfer bridge	\$820,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2026	Angoon	Mooring	8	Replace mooring system	\$120,000
2026	Clark Bay	Mooring	8	Replace mooring system	
2026	Clark Bay	Fendering	8	Replace fendering system	\$220,000
2026	KVMF South Berth	Mooring	9	Replace hawsers to shore tie-points	
2026	KVMF South Berth	Fendering	9	Replace fendering	
2026	KVMF South Berth	Catwalks/ Gangways	9	Replace catwalks/gangways	
2026	KVMF South Berth	Intertie	9	Replace intertie	
2026	KVMF South Berth	Basin	9	Maintenance dredge northwest corner	\$370,000
2026	Metlakatla	Mooring	9	Replace mooring system	
2026	Metlakatla	Fendering	9	Replace fendering system	
2026	Metlakatla	Basin	9	Maintenance dredge	\$270,000
2026	Multiple - Angoon	Transfer	3	Clean and recoat/touchup metalizing	
	Clark Bay	Transfer	9	Clean and recoat/touchup metalizing	
	Cordova	Transfer	6	Clean and recoat/touchup metalizing	
	Hoonah	Transfer	3	Clean and recoat/touchup metalizing	
	Kake	Transfer	4	Clean and recoat/touchup metalizing	
	Ketchikan-secondary	Transfer	6	Clean and recoat/touchup metalizing	
	Metlakatla/Walde	Transfer	8	Clean and recoat/touchup metalizing	\$240,000
2026	Multiple - Auke Bay-mainline	Lift/Pontoon	9	Replace lift/pontoon skins as req'd	
	Ketchikan-mainline	Lift/Pontoon	9	Replace lift/pontoon skins as req'd	
	KVMF South Berth	Lift/Pontoon	9	Replace pontoon skins as required	
	Petersburg	Lift/Pontoon	9	Replace pontoon skins as required	
	Sitka	Lift/Pontoon	9	Replace pontoon skins as required	
	Tenakee Springs	Lift/Pontoon	8	Replace pontoon skins as required	\$400,000
2026	Petersburg	Mooring	9	Replace mooring system	
2026	Petersburg	Fendering	9	Replace fender system	\$220,000
2026	Sitka	Mooring	9	Replace steel dolphin	
2026	Sitka	Fendering	9	Replace steel dolphin fendering	
2026	Sitka	Catwalks/ Gangways	9	Replace catwalks/gangways	\$190,000
2026	Skagway	Transfer	4	Replace vehicle transfer bridge	
2026	Skagway	Lift/Pontoon	8	Replace barge	
2026	Skagway	Lift/Pontoon	9	Replace ramp hydraulics	
2026	Skagway	Transfer	9	Replace ship-to-barge ramp	\$2,520,000
2026	Valdez	Transfer	5	Replace ramps if new structures/ alignment not selected by 2026	\$400,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2026	Whittier	Lift/Pontoon	9	Replace lift system	\$200,000
2026	Whittier	Mooring	9	Replace dolphin	\$150,000
2026	Wrangell	Mooring	8	Replace steel dolphins	
2026	Wrangell	Lift/Pontoon	8	Replace lift	\$240,000

## AMHS VESSELS AND ROUTES

What was the total operating budget each year for the past 5 years?

### AMHS OPERATING BUDGET

YEAR	AUTHORIZATION	EXPENDITURE
1984	63,147,200	62,128,800
1985	65,658,900	65,434,200
1986	68,124,600	65,793,900
1987	65,529,900	64,310,900
1988	67,039,500 *	65,595,200

\*Includes retirement Incentive Program, \$1,143,300

How many passengers and vehicles traveled on the AMHS each year for the past 5 years?

### AMHS TRAFFIC --- 1984 to 1988 (calendar years)

YEAR	PASSENGERS	VEHICLES
1984	367,250	95,510
1985	369,429	96,266
1986	347,869	92,025
1987	378,691	99,975
1988	394,532	107,314

How many total gallons of fuel did the system use each year for the past 5 years? What was the average price per gallon paid for this fuel?

### AMHS FUEL CONSUMPTION & PRICES

Fiscal year	GALLONS	AVG PRICE PER GALLON
1985	9,126,821	\$0.87
1986	9,148,503	\$0.81
1987	7,980,930	\$0.52
1988	7,784,666	\$0.54
1989	8,014,580	\$0.62

NAME OF VESSEL	YEAR PLACED IN SERVICE	ORIGINAL COST	REPLACEMENT COST	NUMBER OF PASSENGERS	NUMBER OF VEHICLES	NUMBER OF STATEROOMS	GALS/FUEL PER HOUR
M/V COLUMBIA	1974	\$22.00	\$70.00	1000	180	91	415
M/V MALISPINA	1963	\$5.00	\$53.00	750	120	86	215
M/V MATANUSKA	1963	\$5.00	\$53.00	750	120	112	240
M/V TUSTUMENA	1964	\$5.20	\$29.00	200	54	27	190
M/V LECONTE	1974	\$5.60	\$21.50	250	47	0	250
M/V TAKU	1963	\$5.00	\$28.50	500	105	44	215
M/V AURORA	1977	\$7.70	\$21.00	250	47	0	250
M/V BARTLETT	1969	\$3.20	\$12.00	236	40	0	170
M/V CHILKAT	1959	N/A	1.5	75	15	0	35

WHAT FUNDS ARE CURRENTLY AVAILABLE FOR REPLACEMENT OF EXISTING VESSELS?

There are no funds currently available for vessel replacement.

WHERE WOULD THE NEW REPLACEMENT VESSEL BE BUILT?

The only legal requirement is that it be built in the United States. Otherwise, it would be built by the lowest bidder.

WHAT TIME PERIOD WOULD WE BE LOOKING AT FOR ACTUAL VESSEL DELIVERY IF WE PLACED THE ORDER TODAY?

Two to three years, assuming award of a single design/build contract today. Separate design and build contracts would add six months to the process.

WHAT IS THE ANTICIPATED USEFUL LIFE FOR EACH VESSEL? (WHAT YEAR DO YOU ANTICIPATE THE VESSEL NEEDING REPLACEMENT?)

With proper maintenance and refurbishment, the time is indefinite. The older the vessels get, the more that maintenance and refurbishment costs. Even so, proper maintenance and refurbishment requires less cash flow than replacement.

The useful life of a vessel may also be cut short by "mission obsolescence", which can occur as changing market conditions and technology render the vessel unsuitable for new conditions. An evaluation of potential mission obsolescence within the fleet would require a projected needs analysis coupled with speculation into technological advances which may occur in the future.

## WHAT IS THE CURRENT STATUS OF EACH VESSEL?

As of mid-September, 1989, all vessels are operations except the Chilkat, which is moored in Ketchikan. The Chilkat is recommended for surplus, and will require a shaft overhaul before the Coast Guard will allow it into passenger service.

As we move into the overhaul and lay up season, various vessels will move out of operational status into overhaul or lay-up status.

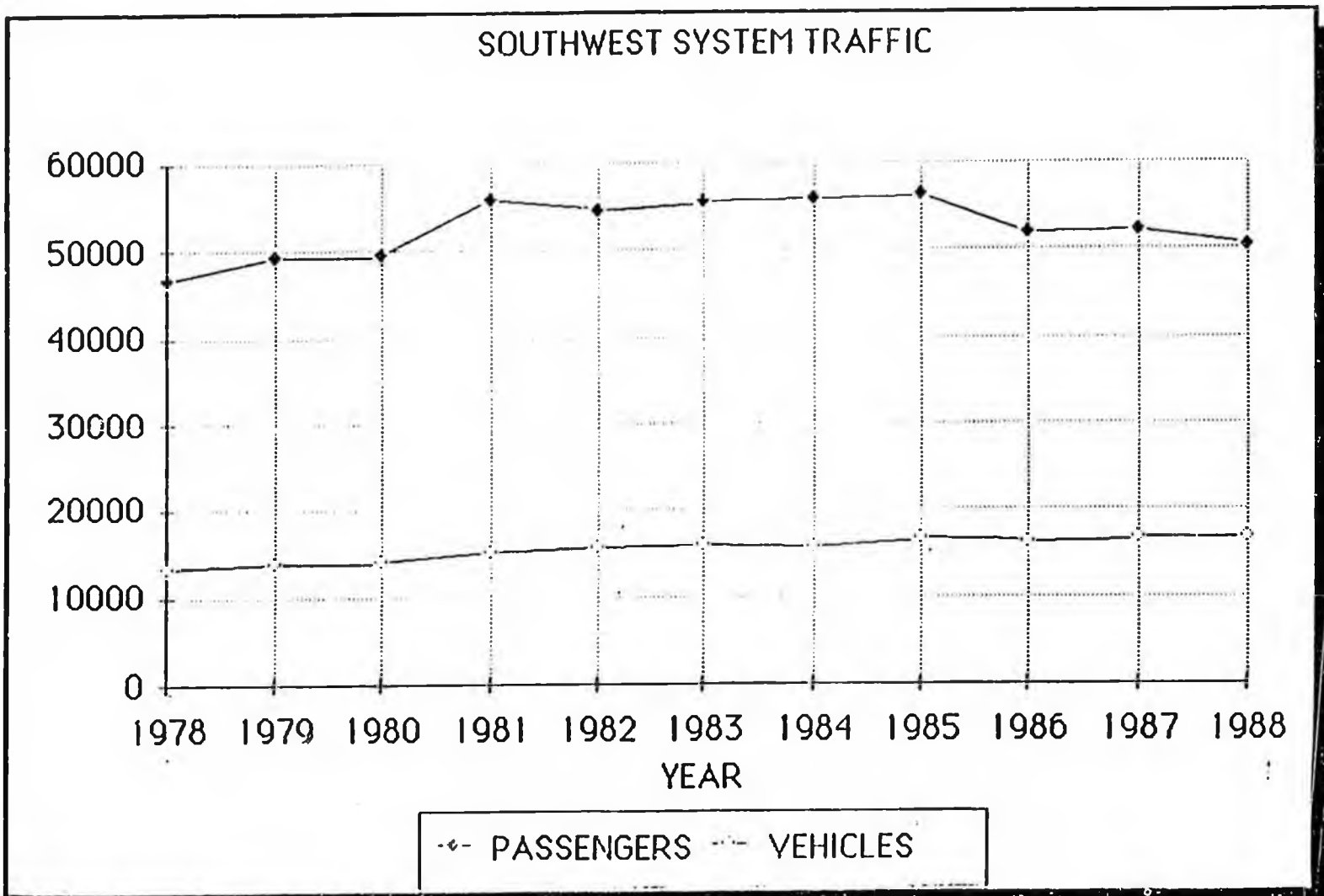
## IN WHAT YEAR DID THE LEGISLATURE APPROPRIATE FUNDS (FEDERAL OR STATE) FOR THE ACQUISITION OF A HIGH SPEED FERRY? HOW MUCH WAS AUTHORIZED? WHAT IS THE STATUS OF THIS FUNDING?

Chapter 128/SLA 86 authorized \$4,905,000 total (FA and GF) to build high speed ferries. Approved revised program documents the current authorization at \$4,228,765 (\$353,541 GF and \$3,875,224 FA) The project requires federal approval to proceed which is conditioned on completion of the Master Plan. If the plan recommends high speed ferries we would reevaluate all projects in the six year plan and start as soon as practical within funding constraints. (The Master Plan is scheduled to be completed at the end of 1989)

## HOW MUCH HAS BEEN SPENT TO STUDY THE HIGH SPEED FERRY CONCEPT? WHEN WERE THESE STUDIES UNDERTAKEN?

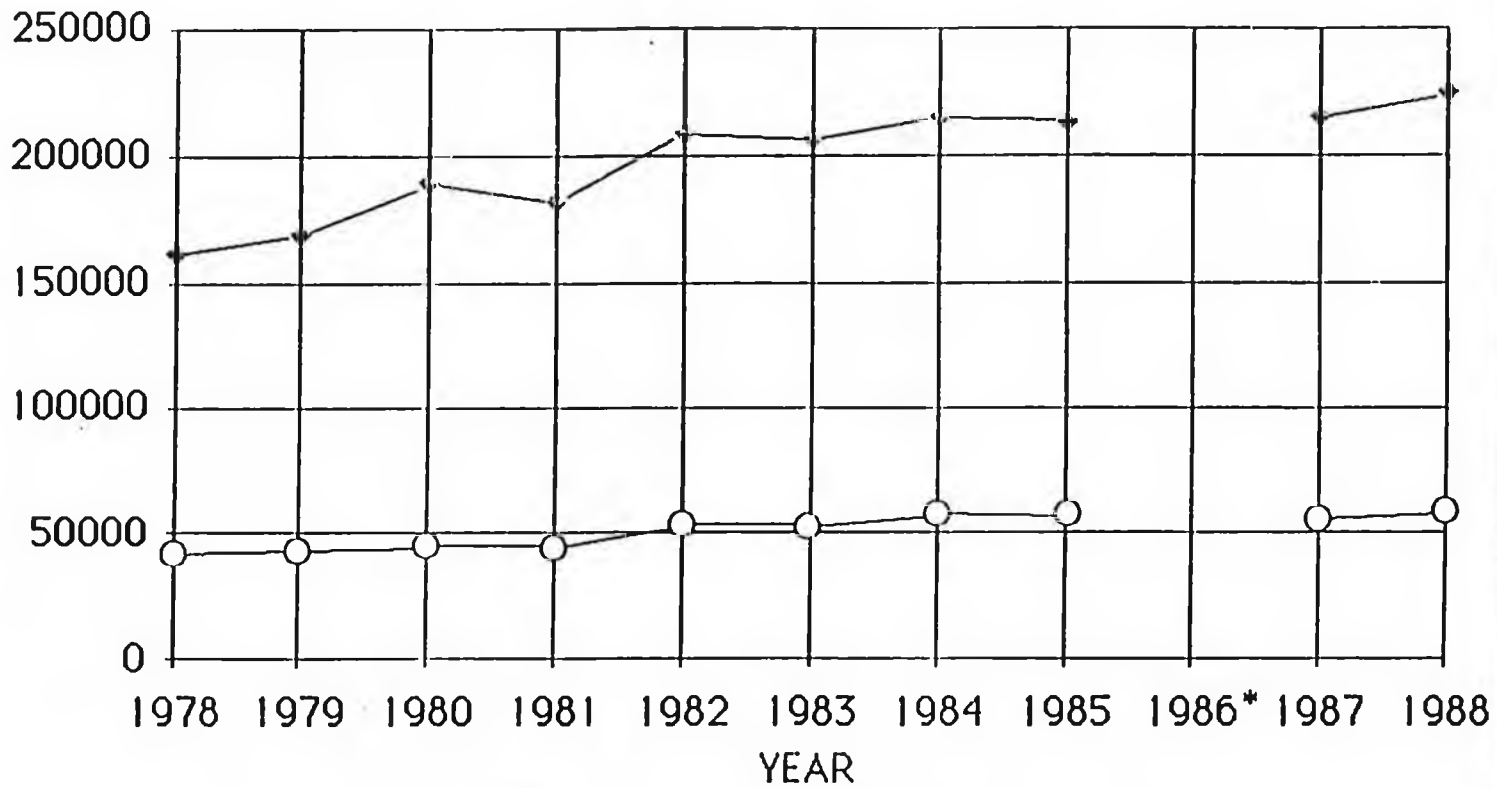
In 1983 a Jetfoil Demonstration Project was completed for \$3,469,903.99 No other specific high speed ferry studies have been conducted, however, both the Southeast Alaska Transportation Plan of 1985 and the AMHS transportation Plan of 1986 evaluated high speed ferries for use in the Southeast system.

AMHS 1988 TRAFFIC VOLUME REPORT



AMHS 1988 TRAFFIC VOLUME REPORT

SOUTHEAST MAINLINE TRAFFIC

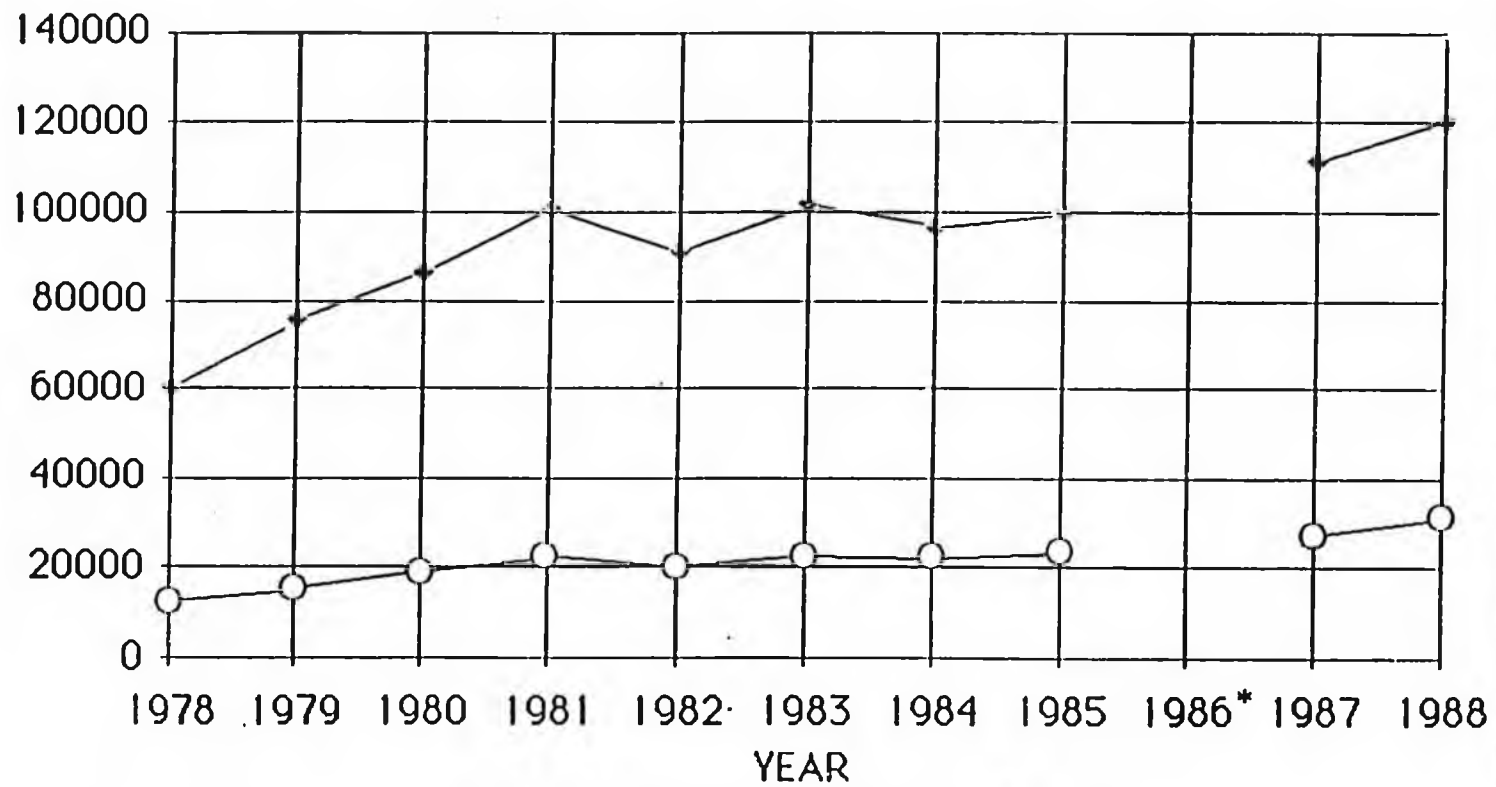


\*1986 Data not available

◆ PASSENGERS ○ VEHICLES

AMHS 1988 TRAFFIC VOLUME REPORT

SOUTHEAST SECONDARY TRAFFIC



\*1986 Data not available

◆ PASSENGERS ○ VEHICLES

## BUDGET AND APPROPRIATIONS

The authority would submit its annual budget to the Legislature through the Governor. The authority shall expend money appropriated by the legislature as authorized by the legislature..

The authority, with the cooperation of the Department of Transportation and Public Facilities, shall prepare a comprehensive long range plan for the development and improvement of the marine highway system and shall revise and update the plan at least every five years. The comprehensive long-range plan and revisions and updates of the plan are subject to legislative approval by law.

### WOULD THE AUTHORITY STILL BE ELIGIBLE FOR FEDERAL FUNDS?

Yes. The authority is an instrumentality of the state within the Department of Transportation and Public Facilities. Therefore, the authority would still be eligible for federal funds. The authority would work with DOT/PF to prioritise projects for federal funding.

### WOULD REVENUES GENERATED BY THE AUTHORITY BE AVAILABLE FOR USE BY THE AUTHORITY?

Presently, the Constitution does not allow for dedicated funds. An amendment could be considered to allow the authority to expend the revenues it generates. A general fund appropriation would still be required to provide adequate funding for the system to operate. Currently, revenues generated by the system cover over 50% of the systems operating costs. By allowing the AMHS to spend the revenue it generates, a more direct relationship with performance and work would probably result. The incentive to implement cost savings would be there.

If the dedicated fund problem were resolved, some consideration could be given to adding a formula whereby a percentage of new revenues goes to help reduce the general fund contribution. By doing this the state and the system would benefit.

Additional detail in response to question No. 4

AMHS HISTORICAL "FINAL AUTHORIZATION" AND "ACTUAL EXPENDITURES"  
OPERATING BUDGET ONLY, 1984 THROUGH 1989

	1989		1988		1987		1986		1985		1984	
	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP
MARINE ADMIN	2,353.7	2,352.0	2,261.5	2,246.6	2,236.7	2,236.6	2,407.6	2,405.4	2,436.8	2,372.1	2,991.4	2,819.3
MFE MANAGEMENT	435.0	434.7	515.7	410.9	387.8	387.6	411.4	393.5	423.2	373.2	---	---
MFE CIP	1,556.8	1,131.9	1,424.6	1,280.7	1,343.8	1,235.7	1,350.7	970.8	1,028.1	942.6	---	---
CUST SERV MNGMNT	2,423.1	2,422.3	2,359.2	2,357.9	2,070.1	2,069.7	1,420.8	1,410.2	943.5	935.4	---	---
SE SHORE	2,532.2	2,506.0	2,243.9	2,240.6	2,414.8	2,414.5	2,425.1	2,389.8	2,416.3	2,416.0	2,625.1	2,575.7
SW SHORE	681.2	680.2	475.5	474.9	628.2	627.8	650.5	650.6	726.8	718.2	812.3	784.3
MAR OPS MNGMNT	772.5	771.3	1,807.8	806.3	937.3	937.1	828.7	820.2	618.7	616.0	---	---
SE VESSL OPS/OVRHL	46,875.3	46,498.5	45,629.3	45,456.2	46,288.2	45,193.5	49,209.9	47,337.4	47,585.1	47,580.7	---	---
SW VESSL OPS/OVRHL	9,531.7	9,406.8	9,178.7	9,177.8	9,223.0	9,208.4	9,419.9	9,416.0	9,256.4	9,256.1	---	---
MAR MRKTNG D&WP	---	---	---	---	---	---	---	---	224.0	223.9	---	---
RIP	---	---	1,143.3	1,143.3	---	---	---	---	---	---	---	---
SE VESSL OPS	---	---	---	---	---	---	---	---	---	---	41,086.8	41,248.1
SW VESSL OPS	---	---	---	---	---	---	---	---	---	---	8,581.9	5,615.5
SE VESSL OVRHL	---	---	---	---	---	---	---	---	---	---	6,059.5	8,056.9
SW VESSL OVRHL	---	---	---	---	---	---	---	---	---	---	990.2	1,029.0
TOTALS.....	67,161.5	66,203.7	67,039.5	65,595.2	65,529.9	64,310.9	68,124.6	65,793.9	65,658.9	65,434.2	63,147.2	62,128.8

28.

## COSTS TO ESTABLISH AN ALASKA MARINE HIGHWAY AUTHORITY

The Department of Transportation and Public Facilities estimates an initial cost of \$450,000 to establish the AMHS authority.

Ongoing costs of approximately \$300,000 are also projected. It is anticipated these ongoing costs could be absorbed by the authority once established. The initial monies required to establish the authority would probably need to be appropriated by the legislature.

# HOW OTHER SYSTEMS OPERATE

## WASHINGTON STATE FERRIES

The Washington State Ferry (WSF) system began operation in 1951. The state purchased 16 ferries, 20 terminals and miscellaneous supplies for \$4.95 million. Today, the Marine Division of the Washington State Department of Transportation controls assets valued at over \$308 million and operates 22 vessels which carry seven million vehicles and 17 million passengers each year.

All ferries are capable of carrying cars as well as passengers. The largest vessels in the system are two 440 foot "jumbo" ferries, each with a capacity of 206 autos and 2,000 passengers. The smallest ferry (150 feet) is capable of carrying 40 autos and 200 passengers. The ferries are not equipped with sleeping facilities, although food service is available on the majority of the vessels.

The system operates nine routes serving 20 terminal locations throughout Puget Sound. Routes are devoted to both commuting and recreational travel. The shortest route is 1.5 nautical miles (15 minutes) in the Tacoma urban area. The longest route is 38 nautical miles (3 1/2 hours) in the San Juan Islands. Recreational travel accounts for 32 percent of all ferry trips. Seventy percent of all passengers are recreational travelers.

## TRAFFIC

The system makes an average of 323 daily trips, carrying 47,000 passengers and 19,000 vehicles. The summer months are the busiest time, traffic drops by 57 percent during the winter.

## FARES

Fares range from \$0.90 (passenger) and \$3.40 (car and driver) for a 15 minute route to \$5.50 (passenger) and \$23.65 (car and driver) for a 3-1/2 hour route.

During the past six years, WSF has acquired six new vessels. Traffic on some routes is expected to decline, while other routes are expected to expand substantially. To accommodate the growth, the system plans to purchase four passenger-only vessels. These

ferries will be utilized on runs that currently experience traffic overloads during certain service periods.

## FINANCIAL STRUCTURE

Fares and revenues cover approximately 70% of operating expenditures and 40% of operating and capital expenditures during the last three fiscal years.

In addition to fares, the WSF system acquires revenue from taxes and a toll bridge. Tax revenues include vehicle registration fees, state gas taxes and a motor vehicle excise tax surcharge. It is interesting to note that these taxes generate 48% of the systems total revenues. The remaining revenue is generated as follows: Fares 40%, Toll bridge 9.8% and bond revenue 8%.

Table 1 shows a breakdown of revenues versus expenditures.

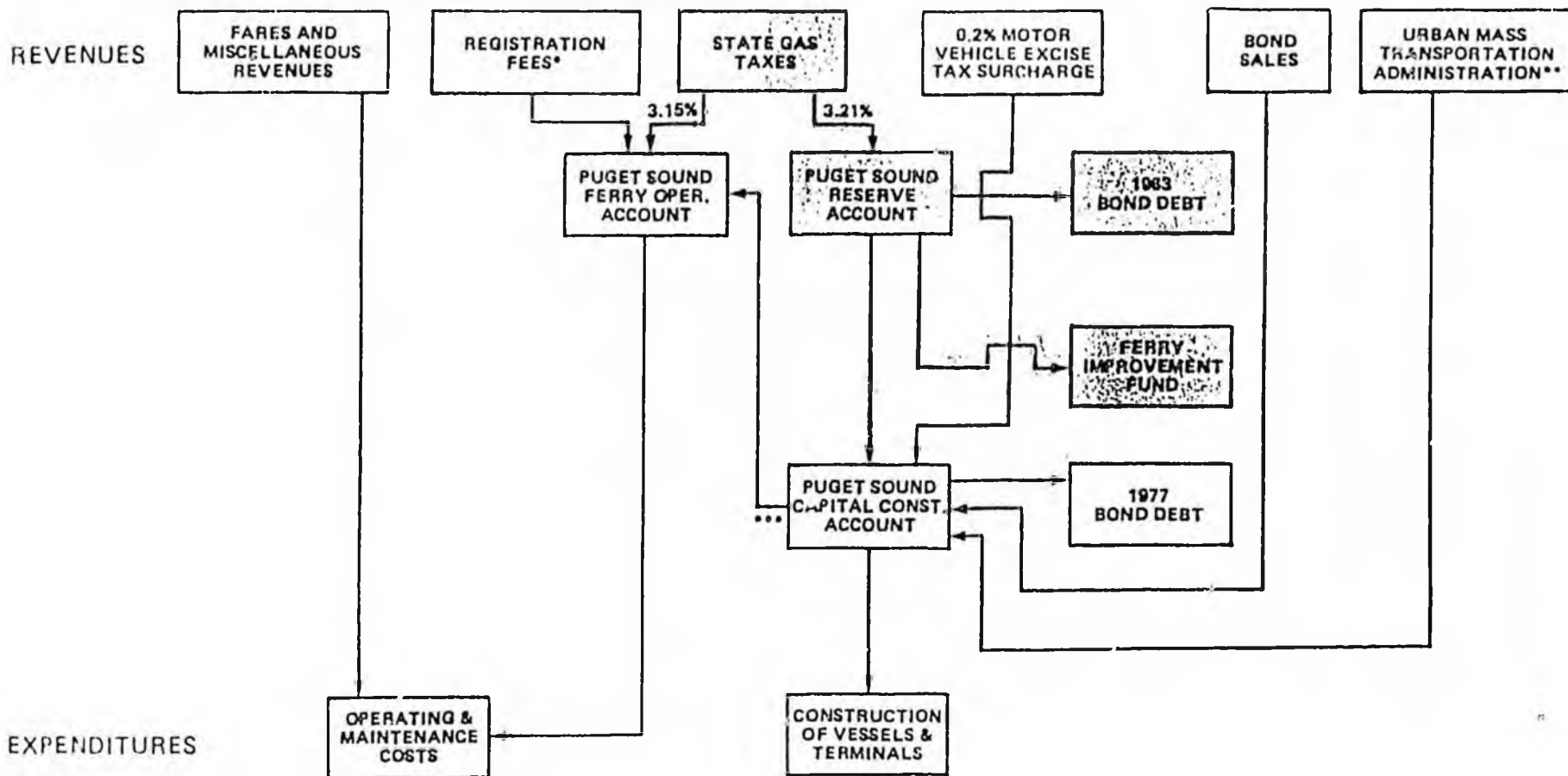
Table 2 shows the financing for the WSF system.

TABLE 1



Washington State Department of Transportation  
Marine Division

WASHINGTON STATE MARINE TRANSPORTATION FINANCING



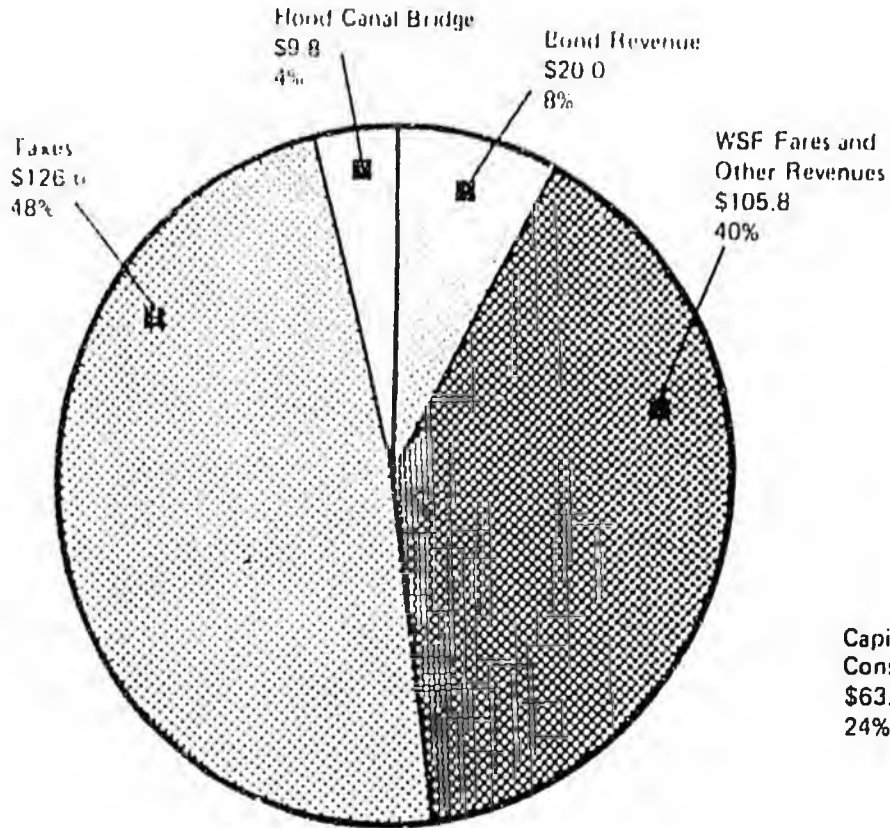
\* 27.37% of \$7.40 of new car and \$3.40 of old car registration fees

\*\* UMTA is part of the U.S. Department of Transportation.

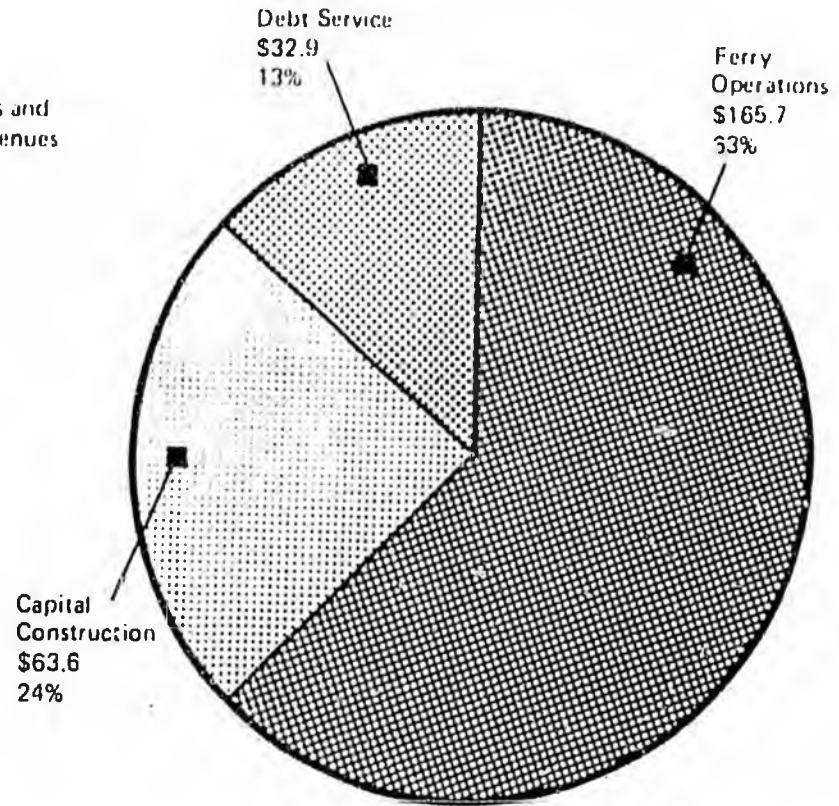
\*\*\* Receipts from Bond Sales and UMTA cannot be transferred as tax support for operations.



1985 - 1987 ANTICIPATED REVENUES AND EXPENDITURES



REVENUES



EXPENDITURES

## BRITISH COLUMBIA FERRY CORPORATION

British Columbia Ferries was reorganized as the British Columbia Ferry Corporation, a Crown corporation (similar to Alaska's public corporations), on January 1, 1977. According to Patrick Morris, corporate secretary, *financing was the key factor in incorporation----as a Crown corporation, B.C. Ferries could depreciate assets and obtain financing in corporate style.* However, Crown corporations are not liable for taxation. Administratively, the corporation continues to report to the government through the Ministry of Transportation and Highways.

The B.C. Ferry Corporation objectives are to establish, administer and maintain a ferry, shipping and related service, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service. The corporation is overseen by a board of nine directors, appointed at the pleasure of the executive branch.

The corporation has the power and capacity to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations. Subject to approval of the executive branch, B.C. ferries may acquire other marine transportation related services or facilities, including private ferry and shipping corporations. As a policy, B.C. ferries has focused on the car ferry business and stayed out of the shipping business.

### SUBSIDIES, REVENUES AND EXPENSES

The Ferry Corporation Act anticipated the continuing need for subsidies and provided that the corporation receive an annual highway equivalent subsidy. This section of the act was amended in 1982 -- the legislature concluded that the formula based subsidies were too high. The corporation now submits a proposed budget request through the Ministry of Transportation and Highways and participates in the normal budget process.

Although ferry tolls are set by the corporation -- with consideration given to the costs of operating and maintaining ferries, terminals and other properties and assets -- tolls are subject to executive branch approval. When considering the corporation budget, the government can recommend that additional funds be generated through fare increases, rather than higher government subsidies.

Table 1 presents the subsidies, gross operating revenues and operating expenses from 1980 through 1989.

Attached are the British Columbia Ferry Corporation's financial statements for year ending March 1985 and March 1988. Both financial statements clearly show tremendous growth for the system.

In 1985, the B.C. Government instructed the corporation to pare costs in all possible areas. By year end, the system had reduced operating expenses by almost \$12 million over the previous year. These savings were attained by cutting costs on specific routes, streamlining of labor costs in line with the provisions of the collective agreements and by placing a concentrated effort to continually operate the service in the most efficient manner. Total operating loss for the year (after depreciation) was \$2 million compared with \$12 million the previous year. This was an outstanding effort when it realized that traffic was down 3.9% in passengers and 0.5% in vehicles.

In 1988, operating expenses were again pared down in certain vital areas. Salaries and wages were reduced as well as fuel costs. The only operating increases in 1988 were the the areas of maintenance and replacement costs and in marketing.

The information provided to House Transportation Committee staff seems to indicate tremendous progress for the B.C. ferry corporation. The system appears to have a very well defined plan for the future. The goals set by the board each year appear to be carried out.

In 1989, the amount of government subsidy the corporation received was reduced by \$6 million over the 2 previous years. This is very impressive.

# F I N A N C I A L   S T A T E M E N T S

As at March 31, 1988

Assets (expressed in thousands)	March 31, 1988	March 31, 1987
Current assets		
Cash (Note 1)	\$22,129	\$10,974
Accounts receivable	2,826	1,668
Inventories (Note 2)	11,022	10,565
Prepayments and deposits	2,668	1,461
Current portion of reserved funds (Note 3)	5,700	5,700
Current portion of debenture (Note 4)	835	770
	45,180	31,138
Reserved funds (Note 3)	12,297	11,090
Debenture (Note 4)	40,130	40,966
Fixed assets (Note 5)		
Ships, berths, buildings, equipment and land	557,641	548,349
Less accumulated depreciation	293,377	263,713
	264,264	284,636
Deferred charges (Note 6)	3,359	4,693
	<b>\$365,230</b>	<b>\$372,523</b>

Approved by the Board

 Director  
 Director

Liabilities (expressed in thousands)	March 31, 1988	March 31, 1987
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$23,966	\$26,902
Deferred revenue	2,032	2,580
Current portion of long-term debt (Note 7)	5,700	5,700
Current portion of obligations under capital leases (Note 8)	1,280	1,128
	32,978	36,310
Long term debt (Note 7)	31,858	37,558
Obligations under capital leases (Note 8)	87,791	88,591
Accrued sick leave liability (Note 9)	5,705	4,728
	158,332	167,187
<b>Shareholder's equity</b>		
Share capital		
Authorized		
1,000,000 shares without par value with a maximum consideration of \$100,000,000		
Issued		
68,512 shares	6,851	6,851
Contributed surplus (Note 10)	250,401	250,401
Deficit	(50,354)	(51,916)
	206,898	205,336
	<b>\$365,230</b>	<b>\$372,523</b>

# F I N A N C I A L   S T A T E M E N T S

(expressed in thousands)

Year ended March 31, 1988

	1988	1987
<b>Operating revenues</b>		
Tolls	\$138,591	\$131,938
Catering	28,201	30,585
Parking & other income (Note 11)	1,696	1,431
	168,488	163,954
Less cost of food and goods sold	11,550	12,619
	156,938	151,335
<b>Operating expenses</b>		
Salaries, wages and benefits	111,080	113,144
Fuel and lubricants	25,418	26,922
Operating supplies and services	16,542	16,437
Repairs, maintenance and replacements	16,233	18,647
Marketing, general and administrative	4,795	5,580
Contracted services	2,015	1,886
	176,083	182,616
<b>Operating income (loss) before subsidy</b>	(19,145)	(31,281)
Province of British Columbia subsidy (Note 12)	57,000	57,000
<b>Income from operations</b>	37,855	25,719
Investment income (Note 11)	5,593	2,619
Interest expense (Note 13)	12,223	10,387
Net interest expense	6,630	7,768
<b>Income before depreciation</b>	31,225	17,951
Depreciation	29,663	29,552
<b>Income (loss) before extraordinary item</b>	1,562	(11,601)
Extraordinary item (Note 14)	—	1,951
<b>Income (loss) for the year</b>	<b>\$ 1,562</b>	<b>\$ ( 9,650)</b>

(expressed in thousands)  
Year ended March 31, 1988

	1988	1987
Deficit at beginning of year	\$ 51,916	\$ 32,400
Income (loss) for the year	1,562	( 9,650)
	5,774	42,050
Dividend paid February 12, 1987 (Note 16)	—	9,866
<b>Deficit at end of year</b>	<b>\$ 50,354</b>	<b>\$ 51,916</b>

(expressed in thousands)  
Year ended March 31, 1988

	1988	1987
<b>Sources (Uses) of cash</b>		
Cash from operations		
Operations (Note 15)	\$ 27,231	\$ 20,309
Extraordinary item (Note 14)	—	1,951
	27,231	22,260
Financial activities		
Payments from reserved funds	5,700	—
Long term debt payment	(5,700)	—
Payments received on debenture	771	—
Capital lease	102	41,756
Capital lease payments	(750)	(1,025)
Payments to reserved funds	(5,327)	(322)
Appreciation of reserved funds	(1,580)	(4,208)
Dividend paid (Note 16)	—	(9,866)
Purchase of debenture	—	(41,736)
	(6,784)	(15,401)
Investment activities		
Fixed asset additions	(9,292)	(10,519)
Disposal of fixed assets	—	8,702
	(9,292)	(1,817)
<b>Increase in cash</b>	<b>11,155</b>	<b>5,042</b>
<b>Cash at beginning of year</b>	<b>10,974</b>	<b>5,932</b>
<b>Cash at end of year</b>	<b>\$ 22,129</b>	<b>\$ 10,974</b>

Note: In this statement cash includes only cash available for day-to-day operations and does not include Reserved Funds cash

# FINANCIAL STATEMENTS

Year Ended March 31, 1988

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of the financial statements are as follows:

## Inventories

Inventories are valued at the lower of cost and current replacement cost.

## Long-Term Disability Plan

The Corporation records as a current year expense the estimated present value of payments, until retirement, to employees eligible under the Long-Term Disability Plan. The plan is administered by the Superannuation Branch of the Public Service Commission, which receives and invests premiums from the Corporation. The excess of premiums paid under the Plan over the reserves required for future payments is included in prepaid expense. In 1987 there was a deficiency of funds which was included in accrued liabilities.

## Fixed Assets:

Acquired from the Province of British Columbia:

Effective January 1, 1977

### (a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-in-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each. Under the terms of the sub-charter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in which case clear title to the ships will be transferred to the Corporation. Accordingly, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are stated at their estimated depreciated replacement value as at January 1, 1977.

### (b) Berths, buildings and equipment

Berths, buildings and equipment transferred at an assigned value of \$1 are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Effective October 1, 1983

On October 1, 1983 the remaining buildings and equipment at Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

Additions and disposals subsequent to January 1, 1977:

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

## Depreciation

Fixed assets are depreciated on the straight line method based upon the following useful lives:

Ships	25 years
Berths	5 - 10 years
Buildings and equipment	4 - 25 years

## Leases

All leases which transfers substantially all of the benefits and risks incidental to the ownership of property are accounted for as if they were acquisition of assets and incurrence of obligations at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Assets recorded under capital leases are amortized on a straight-line basis over their useful lives.

## Amortization of Long-Term Debt Discount and Issue Costs

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt.

## Provision for Annual Refit Costs

The Corporation provides for ship refit expense by charging against income the anticipated costs over the period between refits.

## Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Year Ended March 31, 1988

Funds, other than those required for immediate settlement of liabilities, are invested in short-term securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

Inventories	1988	1987
	(expressed in thousands)	
Motor components, parts and supplies	\$ 9,278	\$ 8,803
Fuel and lubricants	1,083	1,089
Goods for resale and catering supplies	681	583
	\$ 11,022	\$ 10,565

### 3. Reserved Funds

	1988	1987
	(expressed in thousands)	
The Corporation has segregated investments that are required for specific purposes or as required by long-term debt and capital lease obligations.		
Sinking funds for long term debt (Note 7)		
Administered by the Corporation	\$ 9,497	\$ 10,930
Less amount included in current assets to satisfy currently due debt repayment	5,700	5,700
	3,797	5,230
Administered by the Province	1,582	1,132
	5,379	6,362
Sinking fund for capital lease (Note 8)		
Administered by the Province	1,213	—
Fund for accrued sick leave liability (Note 9)		
Administered by the Corporation	5,705	4,728
	\$ 12,297	\$ 11,090

The current portion of \$5,700,000 included in the Reserved Fund balance of \$16,790,000 at March 31, 1987, has been reclassified to current assets to conform with the presentation adopted for the current year.

### 4. Debenture

	1988	1987
	(expressed in thousands)	
8.18% Debenture with the Province of British Columbia due December 10, 2006	\$ 40,965	\$ 41,736
Less: Principal due within one year	835	770
	\$ 40,130	\$ 40,966

By agreement with the Province, semi-annual payments to the Corporation equal the amount required under the lease obligation for the Queen of Oak Bay (Note 8). Excess funds are placed in a sinking fund to cover increased payments on the lease (Note 3).

### 5. Fixed Assets

	1988		1987	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$262,213	\$142,914	\$119,299	\$ 43,420
Ships under capital lease	127,828	45,787	82,041	87,315
Berths, buildings and equipment	155,632	104,676	50,956	55,322
Land	5,095	—	5,095	5,494
Construction in progress	6,273	—	6,273	3,086
	\$557,641	\$293,377	\$264,264	\$24,636

### 6. Deferred Charges

	1988	1987
	(expressed in thousands)	
Long-term debt discount and expenses	\$3,021	\$4,337
Lease excutory costs	338	356
	\$3,359	\$4,693

### 7. Long-term Debt

	1988	1987
	(expressed in thousands)	
8.95% Promissory notes (effective rate of 15.75%) are repayable in five equal annual instalments of \$5.7 million	\$22,800	\$28,500
Less current portion	5,700	5,700
	17,100	22,800
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492	14,758	14,758
	\$31,858	\$37,558

Principal and sinking fund payments due in each of the next five years:

1989	1990	1991	1992	1993
\$6,022,492	\$6,022,492	\$6,022,492	\$6,022,492	\$322,492

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the promissory notes.

### 8. Obligations Under Capital Leases

	1988	1987
	(expressed in thousands)	
The Corporation has obligations under capital leases for the M.V. "Queen of Oak Bay", M.V. "Queen of Surrey", M.V. "Quinsam" and other equipment. Total minimum lease payments are:		
M.V. "Queen of Oak Bay"		
Implicit interest rate 8.14%	\$ 95,524	\$ 98,564
M.V. "Queen of Surrey"		
Implicit interest rate 8.685%	86,406	90,578
M.V. "Quinsam"		
Implicit interest rate 10.64%	8,089	10,034
Other equipment — Tractor		
Implicit interest rate 10.0%	49	109
Other equipment — Forklift		
Implicit interest rate 10.44%	138	—
	\$190,206	\$199,285

Payable in fiscal year ending in:

	1988	1987
1988	\$ —	\$ 8,530
1989	8,434	8,522
1990	8,379	8,473
1991	8,379	8,473
1992	9,216	9,310
1993	9,216	9,199
1994 and subsequent	146,582	146,776
Less interest	190,206	199,285
	101,135	109,500
Present value of net minimum capital lease payments	89,071	89,719
Less current portion	1,280	1,128
	\$ 87,791	\$ 88,591

# FINANCIAL STATEMENTS

(continued)

Year Ended March 31, 1988

## 9. Accrued Sick Leave Liability

On September 1, 1978 the Corporation introduced short term illness and injury and long term disability plans and as of that date all employees ceased accruing sick leave credits. Under the collective agreement with the employees, in the event of illness, the accumulated sick time may be withdrawn prior to retirement. On retirement, any balance remaining is payable in cash at 50% of accrued time.

An actuarial evaluation by The Alexander Consulting Group Limited (formerly Reed Stenhouse Associates Limited) as at March 31, 1988 determined that the recorded liability for the portion payable on retirement was \$395,000 in excess of that required. This excess is being reflected in operations over three years ending March 31, 1990. In addition, the actuarial evaluation of withdrawals prior to retirement in event of illness for \$1,000,000 has been recorded in the accounts for the current year.

Funds reserved for liquidation of this liability are invested in short term securities (Note 3).

## 10. Contributed Surplus

	1988	1987
	(expressed in thousands)	

Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia

— Ships, berths, buildings and equipment acquired January 1, 1977	\$249,674	\$249,674
— Buildings and equipment acquired October 1, 1983	727	727
	\$250,401	\$250,401

## 11. Other Income

	1988	1987
	(expressed in thousands)	

Parking income	\$ 942	\$ 964
Other income	754	467
	\$1,696	\$1,431

Interest earned on funds in bank and investments of \$2,619,000 included in Other Income at March 31, 1987 has been reclassified to Investment Income to conform with the presentation adopted for the current year.

## 12. Provincial Subsidy

The Corporation received a cash subsidy of \$57,000,000 (1987 — \$57,000,000) from the Province of British Columbia. This cash subsidy is determined annually.

Additionally, included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,600 which is included in the provincial "Estimates" as part of the subsidy to the Corporation.

Also, the Corporation utilizes Crown land for terminals and highway access without the payment of rental or property taxes. The value of these benefits has not been determined. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

## 13. Interest Expense

	1988	1987
	(expressed in thousands)	

Interest expense, amortization of promissory note discount and amortization of debt issue costs on

— long term debt and capital leases	\$ 12,222	\$ 10,296
— short term borrowings	1	91
	\$ 12,223	\$ 10,387

## 14. Extraordinary Item

Recovery of receivables in 1987 from British Columbia Steamship Company (1975) Limited written off in Fiscal Year 1982-83.

## 15. Cash from Operations

	1988	1987
	(expressed in thousands)	

Income (loss) for the period before extraordinary item

	\$ 1,562	\$ (11,601)
--	----------	-------------

Items not involving cash

Depreciation	29,663	29,552
Amortization of promissory note discount and debt issue costs	1,334	1,170
Increase (decrease) in accrued sick leave liability (Note 9)	977	(339)

Cash generated from (used for)

operating working capital		
Accounts receivable	(1,158)	(147)
Inventories	(457)	25
Prepayments and deposits	(1,207)	(479)
Accounts payable and accrued liabilities	(2,935)	1,262
Deferred revenue	(548)	866

Cash generated from operations

	\$27,231	\$20,309
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## 16. Dividend

The dividend was paid from the proceeds of the sale of the M.V. "Success of Vancouver" and the extraordinary item (Note 14) in 1987.

## 17. Pension Plan

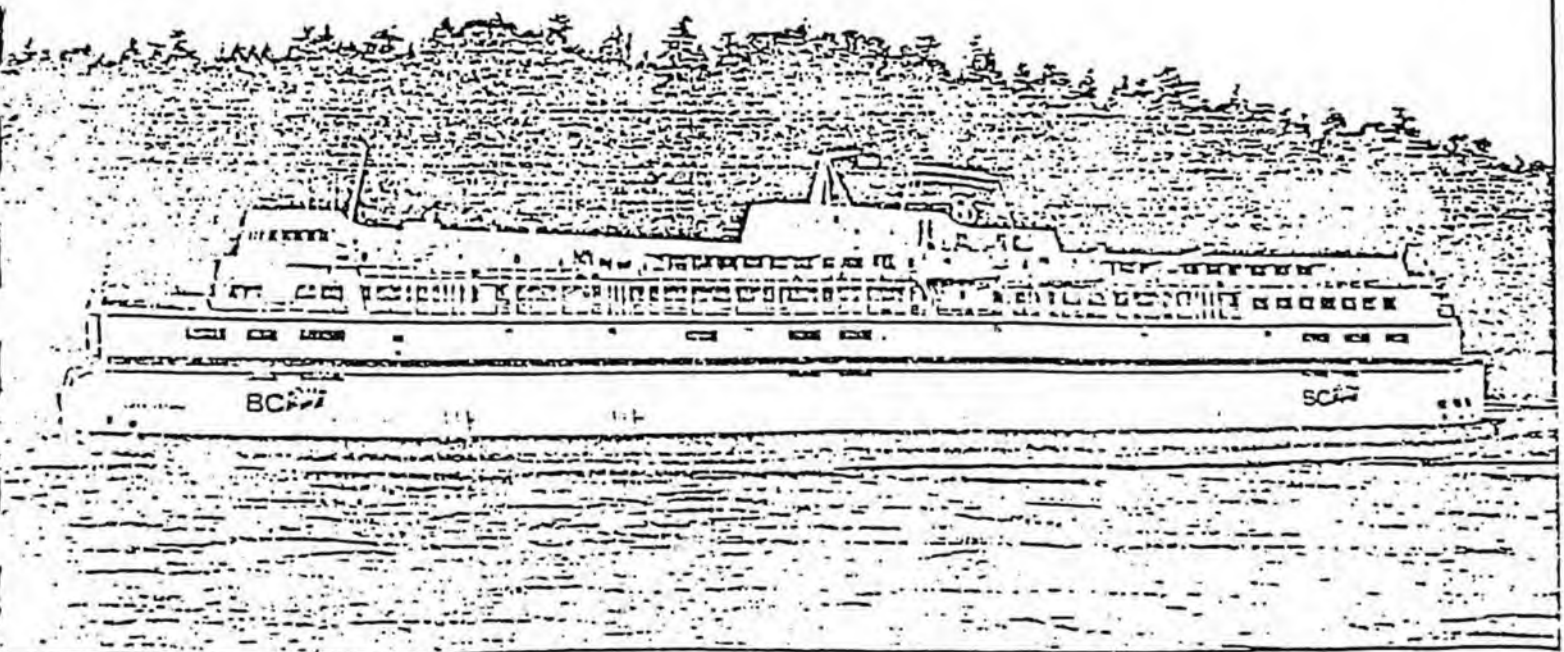
The Pension (Public Service) Act applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts equal to employees' contributions required under the Act.



BRITISH COLUMBIA  
FERRY CORPORATION

# ANNUAL REPORT

## 1984/85



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REPORT OF THE CHAIRMAN

The Honourable Alex V. Fraser  
Minister of Transportation & Highways:

1984-85 yielded appreciable reductions in the B.C. Ferry Corporation's operating deficit. This was achieved while still meeting the Corporation's mandate of offering the best possible service in the most efficient manner. While 1983-84 was effectively a year of stabilization and overall operational streamlining, this past fiscal year has been one of significant adjustment to the service to high loss areas. At the same time, the modest traffic growth experienced in 1983-84 over that of 1982-83 was once again reversed in 1984-85. The traffic results were well below expectations, with vehicles at 4,460,069 and passengers at 11,912,943. This represents a decline of .5% in vehicles and 3.9% in passengers over 1983-84.

In keeping with the British Columbia Government's instructions to pare costs in all possible areas, a major assessment review of high loss areas was completed. The review, which touched on all aspects of service to the North Coast, Sunshine Coast and Gulf Islands, took a three-pronged approach: 1) to reduce operating costs, particularly during the low revenue off season period by more closely matching schedules to traffic demand and patterns; 2) to provide residents of communities dependent upon the ferries as a transportation link with a service that would meet their day to day requirements; and, 3) to maximize the Corporation's role in the province's vital tourist industry.

I am pleased to report that the success of the Ferry Corporation's ongoing cost reducing program is due in part to the spirit of cooperation that prevailed between the communities concerned and the Corporation in implementing cost reducing measures that have already yielded impressive results. For example, service to the North Coast was reduced between Prince Rupert and Port Hardy during traditionally low traffic months. However, the projected savings allowed the Corporation to carry out ship renovations necessary to implement a day boat operation during the summer tourist season. The summer of 1985 will see the launching of this new day cruise service between Prince Rupert and Port Hardy - a service that will substantially increase the tourist activity to northern communities.

Efficiency measures undertaken on the Sunshine Coast also involved a reduction in the number of sailings. However, a ramp at Langdale terminal was doubled with the result that the route can now be fully operated with a doubled ship. This has effectively increased the lift-off capacity while at the same time allowing the Corporation to operate the service in a more cost efficient manner.

While the emphasis this past year was directed to cutting costs on specific routes, overall savings were achieved in all facets

of the operation. Labour costs, which account for the major part of the operating budget, were substantially reduced by a general streamlining of the establishment in line with the provisions of the collective agreement.

As mentioned, the anticipated turnaround in traffic levels did not materialize during 1984-85. Indeed, while in 1983-84 a slight increase in vehicles and passengers was experienced, this past year has seen a decline of 22,638 vehicles and 484,952 passengers. Nevertheless, despite the general decline in traffic, the month of August set an all-time record for passengers and vehicles. Also, a hopeful indication that recovery has begun is the performance of commercial vehicle traffic. For all routes, commercial traffic was up 3% over 1983-84 and 8% over 1982-83. For the last quarter of 1984-85, commercial traffic on the two Vancouver Island routes was up 5.5%. In the past, commercial traffic has often been a precursor or leading indicator of overall traffic trends.

With this in mind plans are underway to meet the increased demand during Expo '86. The fleet's expansion since 1980 by way of lifting five major vessels, plus the ships presently laid up, has put the Corporation in an excellent position to meet projected vehicle lift-off demands. In addition, bus passenger pick up and drop off zones are being revamped at the major terminals to make it a more attractive and convenient means of travel.

British Columbia's ferry fleet plays an important role in preserving the coastal residents' way of life by offering a vital transportation link. At the same time the fleet itself is seen by millions of tourists as a major attraction. The B.C. Ferry Corporation's employees, management and board of directors take pride in meeting the many and varied needs of their travelling public.

On behalf of the Board,



Stuart M. Hodgson  
Chairman

these features with a forecasting model, it is possible to quickly predict capacity utilizations, licence requirements and probable overloads. By using the spreadsheet application, senior managers can analyze various scenarios with regard to tariff and revenue items. The system, therefore, is a powerful tool that can aid senior management in both short term and long term planning.

## Engineering

The Corporation's major construction project this year was the lifting of the "Queen of Alberni." The contract was placed February 27, 1984 and 105 days later, on June 11, 1984, the ship was back in service with a new upper car deck doubling its original vehicle capacity.

Coinciding with this project was a major upgrading of facilities at Langdale Terminal. The vehicle loading ramps were double-decked in order to permit simultaneous loading of both vehicle decks. New offices and waiting rooms were constructed and the holding compound layout was redesigned.

Modifications were commenced on the "Queen of the North" to suit the new "Day Cruise" service. Because of the cancellation of contracted tug and barge service to the Queen Charlotte Islands, both the "Queen of the North" and "Queen of Prince Rupert" were outfitted to carry refrigerated trucks by installation of new car deck exhaust systems to enable truck cooling units to operate during the crossing of Hecate Strait. The holding compound at Skidegate Terminal was increased in size to accommodate drop trailer traffic.

Improvements in facilities at major terminals have continued.

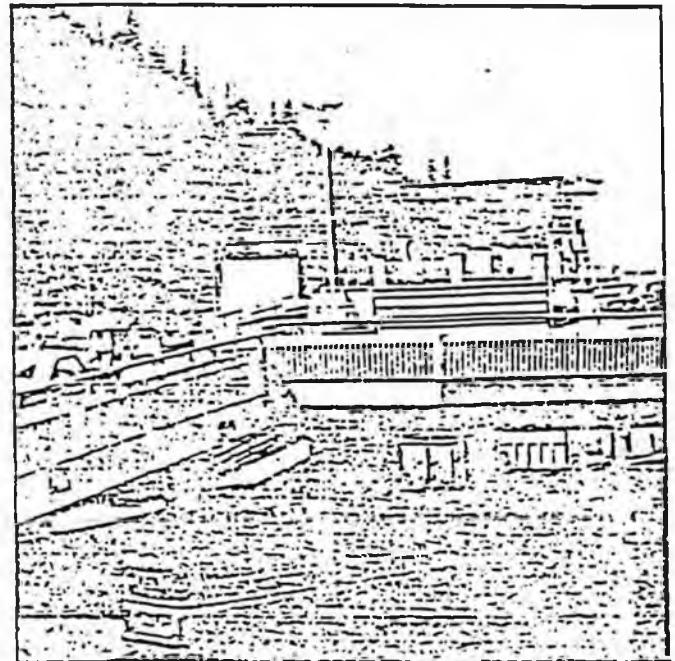
At Swartz Bay a new passenger pick-up facility was completed adjacent to the docks, thus shortening the walking distance for discharging foot passengers and alleviating congestion at the departure ticketing area. New toll booths were built in order to improve the flow of traffic and expand the holding compound. Planning is underway at Swartz Bay for double-laning the upper vehicle ramp at Number 1 Berth; for expansion of the

refrigerated and dry stores area; and for construction of a new bus passenger loading facility which will include six bus bays and a new passenger waiting room.

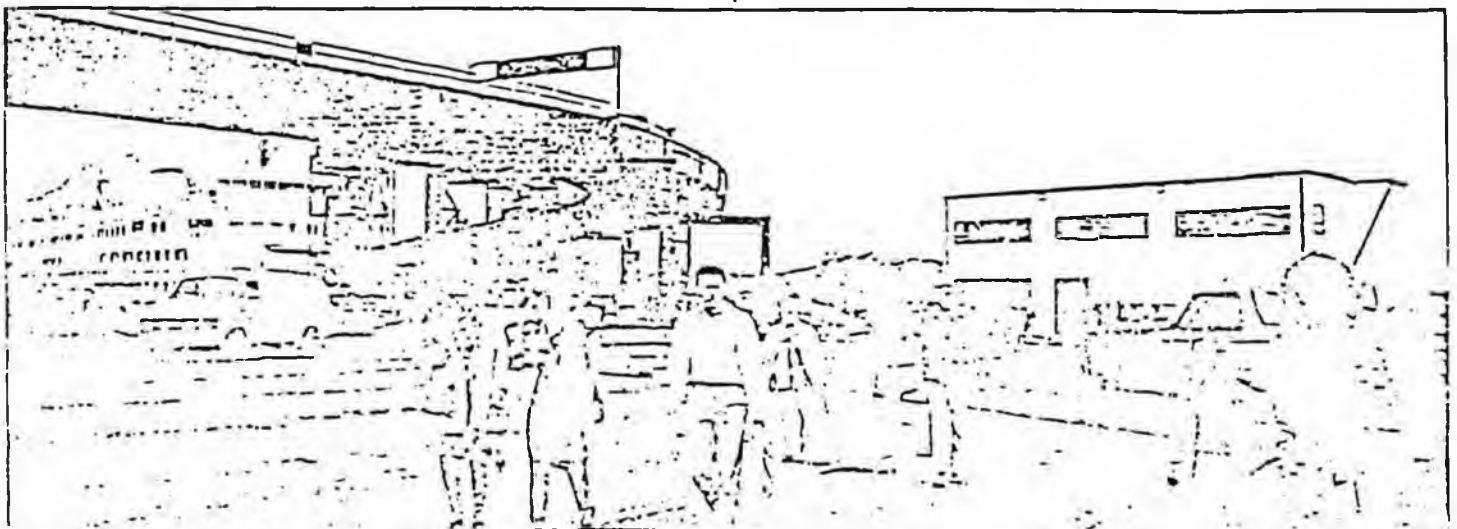
At Tsawwassen the upper vehicle ramp at Number 2 Berth has been widened to two lanes, thus speeding the loading and unloading process, and the cafeteria was expanded to provide additional seating.

At Horseshoe Bay the upper vehicle holding area was extended and a new passenger waiting room and control tower were built.

After a period of extensive testing during 1983-84, fuel metres have been fitted to all major vessels. The fuel metres, together with better ship scheduling, has resulted in total fuel consumption in 1984/85 of 76,258,000 litres, a 3% reduction from the previous year.



Control tower, Horseshoe Bay



Overhead ramp, passenger waiting room, and office, Langdale

Computerized reservations for the Gulf Islands and North Coast which were completed in 1983 have been streamlined, and now offer an even more efficient service to travel agents and the general public. This process will continue as we prepare well ahead for the anticipated volume of enquiries that will be generated by Expo 86.

## Labour Relations

The main Labour Relations activity during 1984 was the administration of the collective agreement that was concluded in 1983. This included developing a layoff and recall procedure with the Union which allowed the Corporation to downsize its work force.

A number of grievances arose as a result of the new contract language; however, the parties were able to resolve these differences of opinion in accordance with procedures established under the collective agreement. This last fiscal year saw no time loss due to picket action of any kind, including third-party picketing.

## Personnel

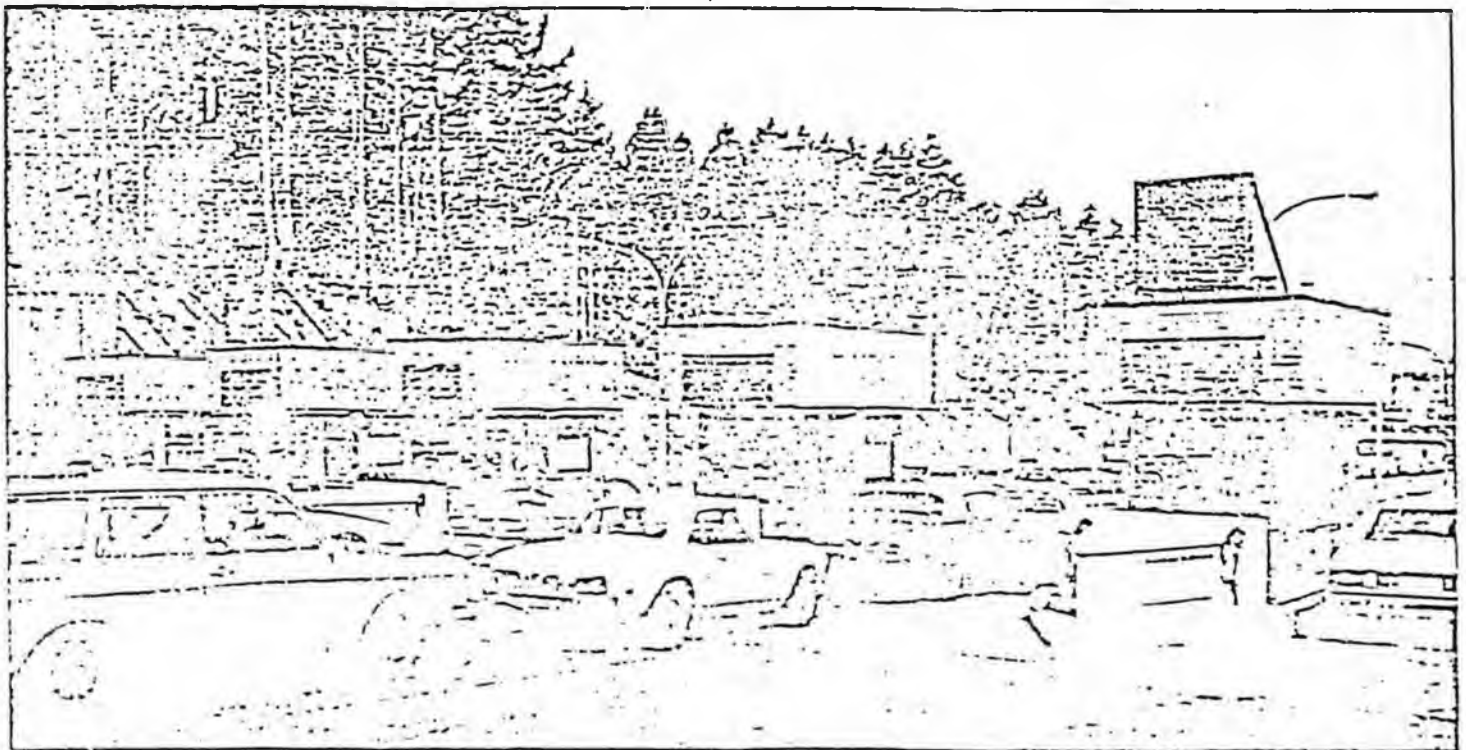
The greater flexibility in manning and improvements in scheduling afforded by the Agreement concluded on October 30, 1983, impacted most significantly on the personnel function in 1984. A new bargaining unit establishment, reflecting the Corporation's ongoing commitment to reduce overall wage costs by means of the rationalization of the Corporation's human resource requirement to a level commensurate with its real operational requirements, was accepted and approved. At the same time the Corporation's commitment to reduce its

outstanding banked overtime liability continued with positive results; careful manpower planning reduced the total banked overtime by 31%.

The new bargaining unit establishment of 1951 positions resulted in a reduction of 221 positions effective October 10, 1984. Where the reduction impacted on an employee it was effected in consultation with that employee, his Union representative and his Union executive. As a result of the extensive preparatory work completed, and despite the inevitable rippling effect of "bumping," the overall reduction in the number of employees was brought about with a minimum of disruption of personal inconvenience. Of those employees who were laid off and who elected to return to work with the Corporation when work is available, and after allowing for attrition of present regular employees through retirement, death, disabilities, etc. it is considered that the vast majority will return to work as full time regular employees within the next 18 months. In the interim, they will be offered every opportunity to work for the Corporation throughout the busy summer months or any other time that their services can be used.



A.L. Collier  
President and  
Chief Executive Officer

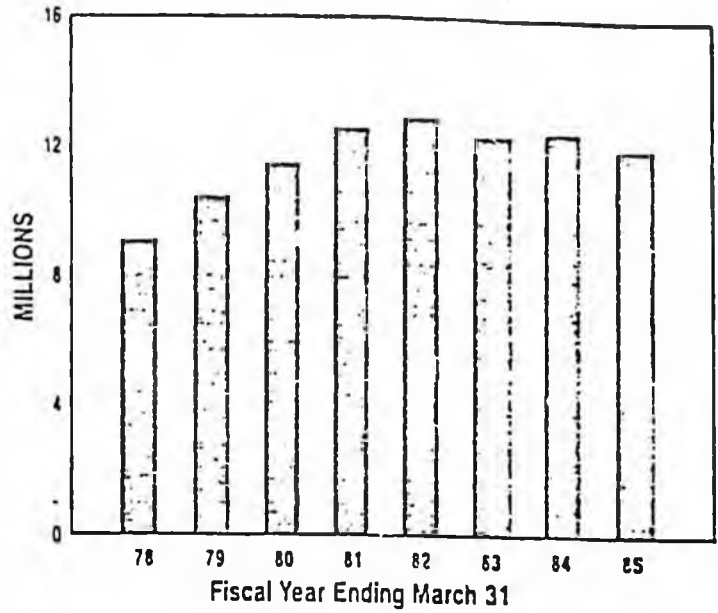


View of toll booths, Swartz Bay

## TOTAL PASSENGERS - 4%

After a small increase in 1983/84, passenger traffic has fallen again in 1984/85.

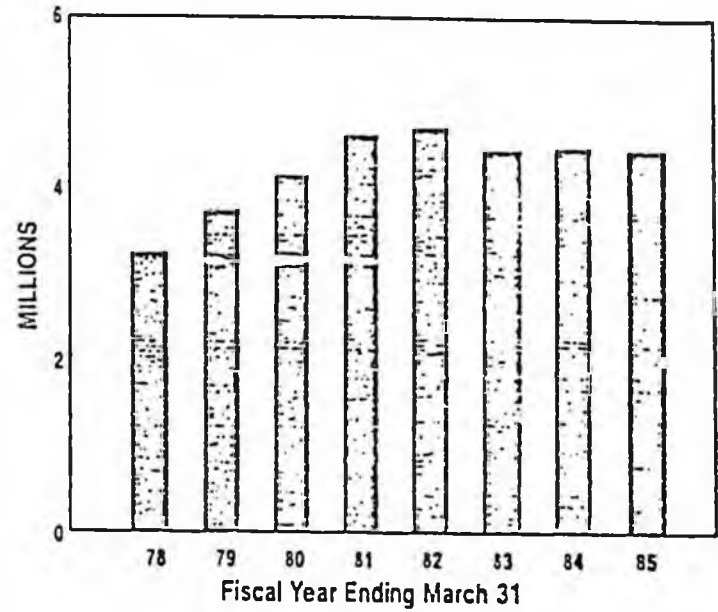
Over the past 24 years, 185 million passengers have been carried. The 200 millionth passenger is expected during the summer of 1986.



## TOTAL VEHICLES - 0.5%

Total vehicle traffic has remained virtually unchanged over the past three years.

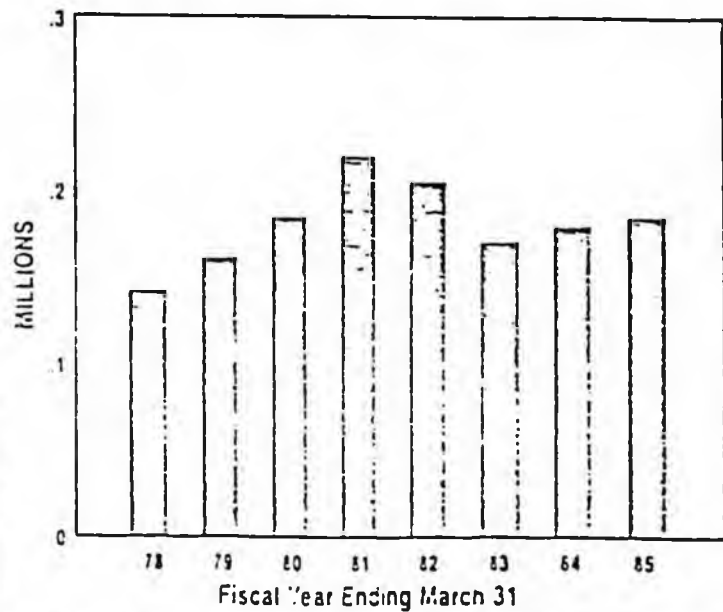
Over 67 million vehicles have been carried since 1960.



## COMMERCIAL VEHICLES + 3%

Commercial vehicles have shown a steady increase over the past two years after suffering a sharp decline in the early 1980's.

In the past, commercial traffic has usually been a precursor or leading indicator of changes in other traffic categories.



# Balance Sheet

## as at March 31, 1985

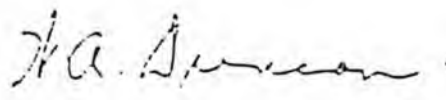
### ASSETS

	1985	1984
	(expressed in thousands)	
<b>CURRENT ASSETS</b>		
Cash (Note 1)	\$ 11,943	\$ 3,861
Accounts receivable (Note 2)	800	505
Inventories (Note 3)	8,558	9,252
Prepayments and deposits	<u>849</u>	<u>583</u>
	<u>22,150</u>	<u>14,201</u>
<b>RESERVED FUNDS (Note 4)</b>	<u>7,817</u>	<u>—</u>
<b>FIXED ASSETS (Note 5)</b>		
Ships, berths, buildings, equipment and land	477,874	465,418
Less accumulated depreciation	<u>204,709</u>	<u>173,645</u>
	<u>273,165</u>	<u>291,773</u>
	<u>\$303,132</u>	<u>\$305,974</u>

APPROVED BY THE BOARD



Director



Director

# Statement of Income

YEAR ENDED MARCH 31, 1985  
(expressed in thousands)

	1985	1984
Operating Revenues		
Tolls	\$100,628	\$ 94,828
Catering	22,396	23,737
Other income (note 9)	<u>2,506</u>	<u>1,949</u>
	125,530	120,514
Less cost of food and goods sold	<u>8,993</u>	<u>9,174</u>
	<u>116,537</u>	<u>111,340</u>
Operating Expenses		
Salaries, wages and benefits	79,518	83,449
Fuel and lubricants	23,886	25,352
Materials, operating supplies and services	10,186	10,338
Contracted replacements, repairs and maintenance	5,263	6,950
Marketing, general and administrative	3,630	3,518
Charter fees	<u>2,525</u>	<u>2,946</u>
	<u>125,308</u>	<u>132,553</u>
Operating Loss Before Subsidy	8,771	21,213
Province of British Columbia Subsidy (note 10)	<u>43,000</u>	<u>43,000</u>
Income from operations	34,229	21,787
Interest Expense (note 11)	<u>5,177</u>	<u>6,198</u>
INCOME BEFORE DEPRECIATION	29,052	15,589
Depreciation	<u>31,064</u>	<u>30,586</u>
LOSS FOR THE YEAR AFTER DEPRECIATION	<u>\$ 2,012</u>	<u>\$ 14,997</u>

# Summary of Accounting Policies

YEAR ENDED MARCH 31, 1985

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

## **Inventories -**

Inventories are valued at the lower of cost and current replacement cost.

## **Long-Term Disability -**

Amounts paid to the Superannuation Branch of the Public Service Commission under the Long-Term Disability Plan are accounted for by the Corporation on the basis of accruing in the financial statements that portion estimated to be payable to employees until retirement for individual disability with the balance of the amounts paid being included in prepaid expenses.

## **Fixed Assets -**

Acquired from the Province of British Columbia effective January 1, 1977:

### **(a) Ships**

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-in-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977 on the basis of construction records for labour and materials valued at 1977 cost exclusive of any federal ship building subsidies which may have been available during the extended period of years during which the individual ships were built and during which such subsidies fluctuated substantially. The estimated depreciated replacement value of the ships at January 1, 1977 is not intended to reflect fair market value of the fleet nor can it be considered to approximate fair market value because of the specialized nature and limited saleability of the ships themselves.

In addition, three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each, with the Corporation being responsible for all operating, repair, and maintenance costs. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in accordance with the terms of its charter agreement. In the event that such option is exercised, clear title to the ships will be transferred to the Corporation. As a result of these transactions and agreements, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are similarly stated at their estimated depreciated replacement value as at January 1, 1977.

# Notes to Financial Statements

YEAR ENDED MARCH 31, 1985

## 1. CASH AND SHORT-TERM INVESTMENTS

Funds, other than those required for immediate settlement of liabilities, are invested in short-term commercial securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

## 2. ACCOUNTS RECEIVABLE

Provision has been made for the uncollectibility of a 1980 accounts receivable of \$1,950,619 due from the British Columbia Steamship Company (1975) Ltd. for the lease and modifications to the Lessee's specifications of the M.V. "Queen of Prince Rupert".

## 3. INVENTORIES

	1985	1984
	(expressed in thousands)	
Spare components, parts and supplies	\$ 6,987	\$ 6,832
Fuel and lubricants	1,153	1,980
Goods for resale and catering supplies	418	440
	<u>\$ 8,558</u>	<u>\$ 9,252</u>

## 4. RESERVED FUNDS

The Corporation has segregated assets that are required for specific purposes or as required by long-term debt obligations.

	1985	1984
	(expressed in thousands)	
Sinking funds for long-term debt (note 6)		
Administered by the Province	\$ 345	\$ —
Administered by the Corporation	3,300	—
	3,645	—
Fund for accrued sick leave liability (note 7)	4,172	—
	<u>\$ 7,817</u>	<u>\$ —</u>

## 5. FIXED ASSETS

	1985				1984	
	(expressed in thousands)					
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value	Net Book Value	Net Book Value
Ships owned	\$ 282,725	\$ 105,472	\$ 177,253	\$ 192,581	\$ 192,581	\$ 192,581
Ships under capital lease	72,697	22,256	50,441	43,771	43,771	43,771
Berths, buildings and equipment	120,524	76,981	43,543	50,966	50,966	50,966
Land	723	—	723	723	723	723
Construction in progress	1,205	—	1,205	3,732	3,732	3,732
	<u>\$ 477,874</u>	<u>\$ 204,709</u>	<u>\$ 273,155</u>	<u>\$ 291,773</u>	<u>\$ 291,773</u>	<u>\$ 291,773</u>

## 8. CONTRIBUTED SURPLUS

	1985	1984
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia		
- Ships, berths, buildings and equipment effective January 1, 1977	\$ 249,674	\$ 249,674
- Buildings and equipment effective October 1, 1983	<u>727</u>	<u>727</u>
	<u>\$ 250,401</u>	<u>\$ 250,401</u>

## 9. OTHER INCOME

	1985	1984
	(expressed in thousands)	
Parking and ancillary traffic revenue	\$ 947	\$ 837
Interest earned on funds in bank and short-term investments	<u>1,559</u>	<u>1,112</u>
	<u>\$ 2,506</u>	<u>\$ 1,949</u>

## 10. PROVINCIAL SUBSIDY AND BENEFITS

The Corporation receives a subsidy from the Province of British Columbia which is determined annually.

Included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800. In addition the Corporation utilizes Crown land for terminals and highway access without rental or property taxes. The value of these benefits is indeterminable. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

The Corporation utilizes Ministries and Agencies of the Provincial Government for negotiation and purchase of fuel, materials, and communications. The aggregate of these transactions is \$39.3 million (1984 - \$45.3 million).

## 11. INTEREST EXPENSE

	1985	1984
	(expressed in thousands)	
Interest expense, amortization of promissory note discount and amortization of debt issue cost on:		
- long term debt	\$ 5,171	\$ 4,292
- short term borrowings	<u>6</u>	<u>1,906</u>
	<u>\$ 5,177</u>	<u>\$ 6,198</u>

# Statistical Review

YEAR ENDED MARCH 31

	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial						
Operating Revenue						
-- Gross	\$125,530	\$120,514	\$110,689	\$112,199	\$ 99,552	\$ 82,867
Operating Expense	125,308	132,553	139,013	133,856	104,956	88,695
Operating Loss before Subsidy	8,771	21,213	37,213	31,221	14,261	13,667
Subsidy	43,000	43,000	43,000	58,891	53,106	49,447
Cash Flow from Operations	28,355	17,198	(3,005)	35,831	44,811	38,583
Depreciation and Amortization	31,064	30,586	34,724	26,087	22,148	20,271
Interest on Debt	5,177	6,198	5,073	893	779	880
Working Capital (Deficiency)	2,214	(6,799)	(37,506)	(11,495)	15,612	21,878
Additions to Property	12,456	7,142	26,804	74,376	44,919	39,369
Total Assets	303,132	305,974	335,370	357,817	334,696	312,048
Long-term Debt	36,446	35,586	20,428	31,716	13,764	15,513
Operating Traffic						
- Passengers	11,913	12,398	12,275	12,764	12,513	11,423
- Vehicles	4,460	4,483	4,463	4,713	4,626	4,161
Miles						
- Passengers	269,703	283,745	278,975	339,395	334,078	314,844
- Vehicles	96,531	97,569	97,020	118,633	116,318	106,735
Utilization						
- Passengers	28%	25%	27%	26%	28%	26%
- Vehicles	59%	56%	50%	48%	60%	57%

# Statistical Review

YEAR ENDED MARCH 31

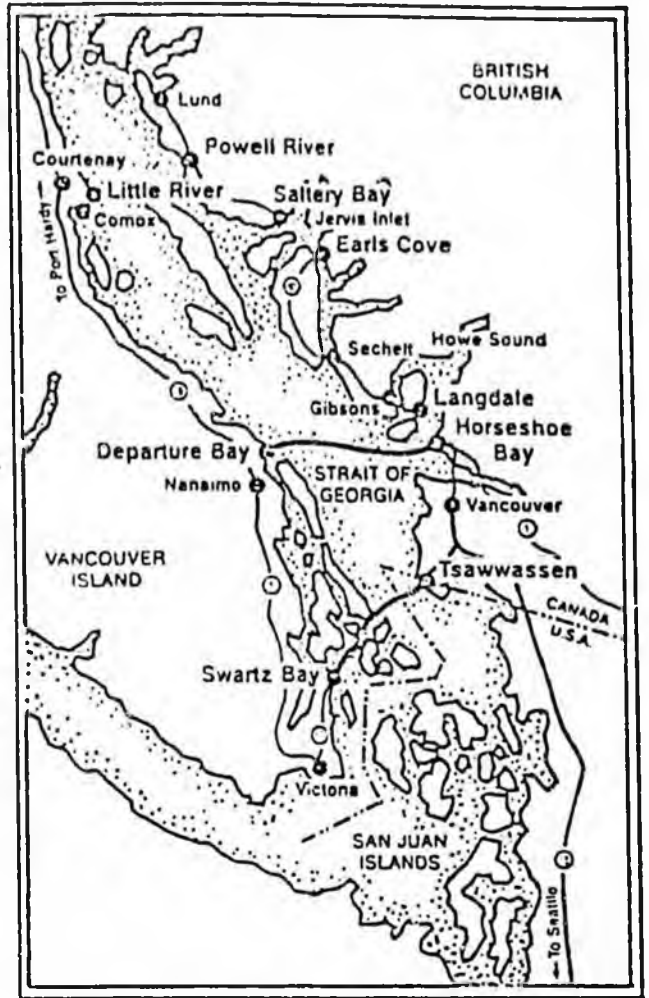
	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial Operating Revenue - Gross	\$125,530	\$120,514	\$110,689	\$112,199	\$ 99,552	\$ 82,867
Operating Expense	125,308	132,553	139,013	133,856	104,956	88,695
Operating Loss before Subsidy	8,771	21,213	37,213	31,221	14,261	13,667
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# VANCOUVER ISLAND

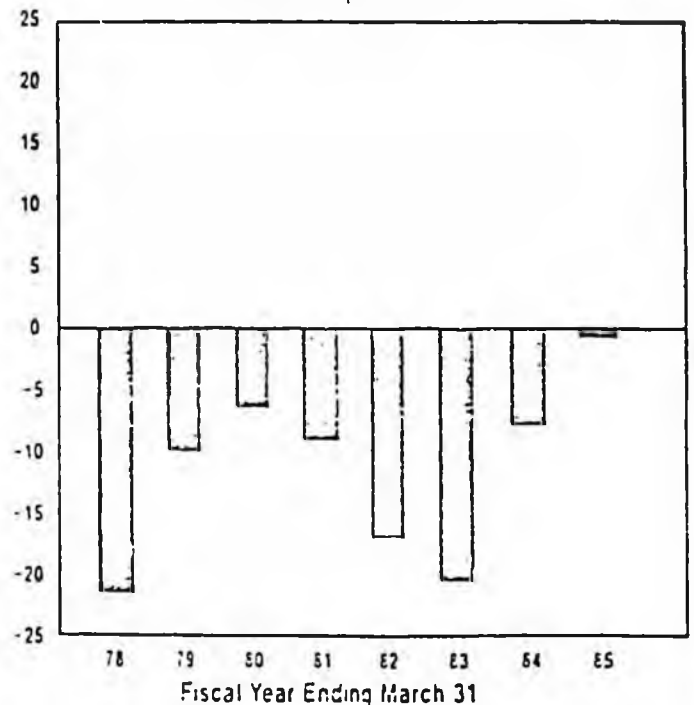
The two Mainland-Vancouver Island routes are among the busiest ferry routes in the world, carrying 7.8 million passengers and 2.8 million vehicles in 1984/85.

A concentrated effort at improving cost efficiency over the past 3 years has resulted in a tremendous reduction in the loss.

For the first time this year the Vancouver Island routes are very close to a break-even operation.



VANCOUVER ISLAND  
Loss after Depreciation

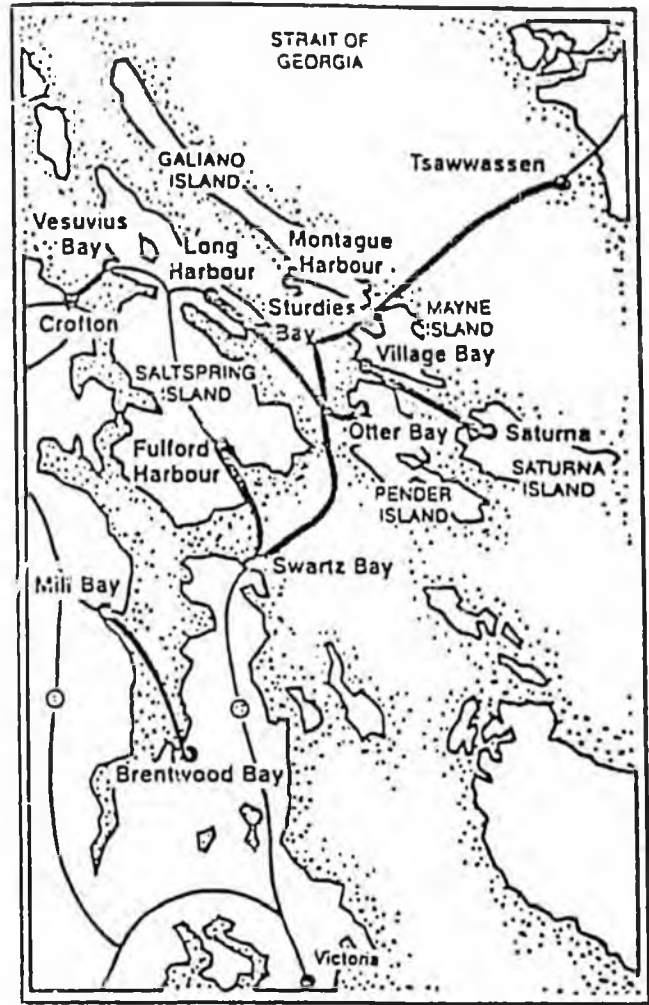


# GULF ISLANDS

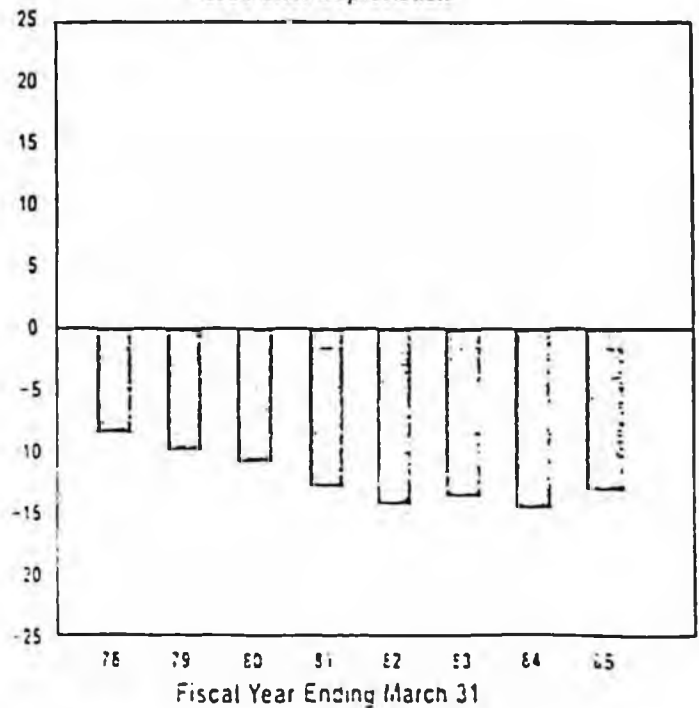
The Gulf Islands vessels service the islands of Salt Spring, Pender, Galiano, Mayne and Saturna. The region also includes the Brentwood-Mill Bay route.

In 1984/85 these routes carried 1.5 million passengers and 623,000 vehicles.

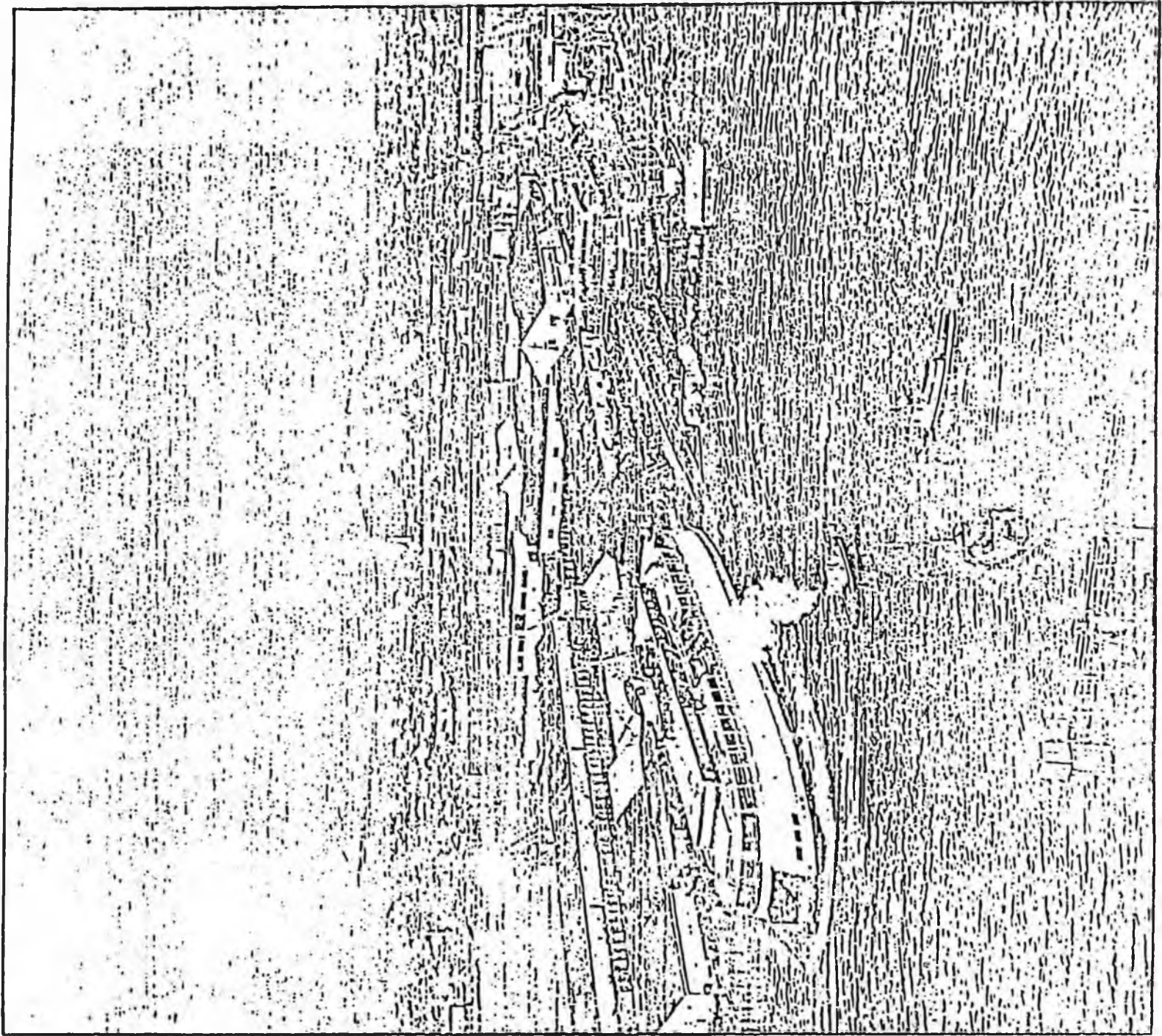
The operating loss in 1984/85 was \$13 million, which is a 9% reduction from the previous year.



GULF ISLANDS  
Loss after Depreciation



Year End	Passengers	Vehicles
March 31, 1961	692,000	221,000
March 31, 1962	2,040,000	697,000
March 31, 1963	2,665,000	895,000
March 31, 1964	3,180,000	1,034,000
March 31, 1965	3,300,000	1,185,000
March 31, 1966	4,000,000	1,333,000
March 31, 1967	4,477,000	1,516,000
March 31, 1968	4,361,000	1,530,000
March 31, 1969	4,774,000	1,733,000
March 31, 1970	5,671,000	2,102,000
March 31, 1971	5,963,511	2,228,412
March 31, 1972	6,771,837	2,552,505
March 31, 1973	7,629,385	2,824,964
March 31, 1974	8,538,297	3,169,582
March 31, 1975	9,612,501	3,558,234
March 31, 1976	9,912,738	3,760,099
March 31, 1977	8,383,502	3,044,167
March 31, 1978	9,018,976	3,258,017
March 31, 1979	10,399,203	3,758,628
March 31, 1980	11,423,405	4,161,302
March 31, 1981	12,512,898	4,625,917
March 31, 1982	12,763,664	4,712,951
March 31, 1983	12,275,466	4,462,731
March 31, 1984	12,397,905	4,482,707
March 31, 1985	11,912,943	4,460,069
<b>Total</b>	<b>184,676,231</b>	<b>67,306,285</b>



Port Hardy - Bella Bella - Prince Rupert (Summer)  
Port Hardy - Bella Bella - Prince Rupert - Skidegate (Winter)

M.V. "Queen of the North" (Year-round)

Prince Rupert - Skidegate (Summer)

M.V. "Queen of Prince Rupert"

Brentwood - Mill Bay

M.V. "Mill Bay"

Langdale - Gambier Island - Keats Island

M.V. "Dogwood Princess II"

Prince Rupert - Port Simpson - Kincolith

Passenger Service only (under contract)

Other Vessels

M.V. "Queen of Burnaby"  
M.V. "Queen of the Islands"  
M.V. "Queen of Nanaimo"  
M.V. "Queen of New Westminster"  
M.V. "Queen of Sidney"

Pay Parking Lots Available

Departure Bay	350 vehicles
Horseshoe Bay	180 "
Langdale	85 "
Swartz Bay	450 "
Tsawwassen	1250 "

Catering

Passengers have the convenience of an enlarged cafeteria system on the converted ferries. These cafeterias have seating for up to 224 people at one time. There is also a snack bar on the four vessels operating between Tsawwassen and Swartz Bay. These ships also provide buffet service during the peak summer schedule. Catering facilities are also on most other vessels servicing the major routes and at major terminals except Horseshoe Bay.

(4)

In April 1967, British Columbia Ferries purchased the "Pere Nouvel", which was renamed the M.V. "Sunshine Coast Queen", to replace the "Langdale Queen" and the "Sechelt Queen" on the Howe Sound service. This double-ended ferry was the largest in the fleet at that time, having a capacity of over 180 cars. This is no longer the case, as the stretch-lifted ferries now have lift-off capabilities of up to 400 vehicles. The "Sunshine Coast Queen" has since been sold.

In June 1967, the M.V. "Mill Bay" was purchased from Coast Ferries and serves the Saanich Peninsula between Brentwood Bay, on the Peninsula, to Mill Bay, approximately 15 miles from Duncan.

The "Rowe Sound Queen", which has a carrying capacity of 70 automobiles, was taken over to replace the "Bowen Queen" to alleviate the increasing traffic on the Horseshoe Bay/Bowen Island route.

The jumbo vessels, Queens of "Cowichan" and "Coquitlam", were added to the fleet in 1976. Both capable of carrying 362 automobiles each, they were joined by the "Queen of Alberni", built specifically to carry overheight, commercial, and recreational vehicles. All have elevators and on board cafeterias.

On January 1, 1977, British Columbia Ferries became British Columbia Ferry Corporation, a Crown Corporation. The Chairman of the Board is Stuart Hodgson, President is Andrew Collier. George Baldwin is the General Manager.

Three minor vessels, the M.V.s "Mayne Queen", "Powell River Queen", and "Bowen Queen", were stretched and repowered in 1979. Each ship is now capable of carrying 70 vehicles.

In May-1979, the "Dogwood Princess II" replaced the "Dogwood Princess" on the Gambier and Keats Islands route. The new passenger-only vessel carries 38 people.

On May 29, 1980, the M.V. "Queen of the North", formerly the "Queen of Surrey", commenced service on the Inside Passage run. Port Hardy became the new terminus on northern Vancouver Island on May 31, 1979, replacing Kelsey Bay. During the summer, this vessel departs from Port Hardy every other day with an en route stop at Bella Bella once a week. In the off-season service between the two ports is on a once-weekly basis.

The "Queen of Prince Rupert" was chartered by B.C. Steamship Company to operate between Seattle, Washington and Victoria during the summer of 1980. She was returned to B.C. Ferries in October of that year and commissioned to the service between Prince Rupert and Skidegate, Queen Charlotte Islands. The "Queen of Prince Rupert" operates on the Skidegate - Prince Rupert route in the summer.

Two more jumbo (360-car) ferries, the Queens of "Surrey" and "Oak Bay", were built at Burrard Yarrows Corporation in Vancouver and Victoria. They entered service in May and June of 1981.

In the spring of 1981, an enormous and exciting conversion program was commenced. Two of the original seven major vessels, those built between 1961 and 1964 and which had already been "stretched", were now to be "lifted". The ship was cut in half again, this time horizontally, the top half raised on hydraulic jacks, and a new deck inserted. The upper sun deck solariums also underwent change, they were covered in and made into more useful and attractive seating areas. The midships lounge on the promenade deck was also renovated with a snack bar added. Since then, two more of this class vessel have been converted, this time adding ramps, bringing the car carrying capability to, believe it or not, 400 cars!

The "Queen of Alberni", B.C. Ferries' "overheight vehicle" ship, was lifted in the spring of 1984 increasing her car-carrying capacity from 150 to 300 vehicles and returned to service on the Horseshoe Bay/Langdale route 3 months later.

At her 1986 refit, the "Queen of Alberni's" passenger lounges and cafeteria were enlarged making this vessel more suitable for service on the Horseshoe Bay/Departure Bay route.

During the Expo season (May - October, 1986), five ferries that had been in lay-up were repainted in the new B.C. Ferry colours (red, marine blue, and white) and came into service to assist with the heavy demand expected during the World's Fair.

Yes, since 1960, there have been many changes, both on and off the ships of B.C. Ferries. Carpeted decks, where there was once linoleum; cafeterias with an extensive menu; elevators (the new ships have two each); restrooms for the disabled; and pay phones. And ashore, special ramps had to be constructed to comply with the converted vessels' modifications; overhead walkways extended, improved, and carpeted for foot passengers' comfort; greater parking areas; new and more ticket booths; and extra berths and docking facilities. The list just goes on!

# MEMORANDUM

# State of Alaska

Department of Transportation & Public Facilities

TO: The Honorable Steve Cowper  
Governor

DATE: August 9, 1989

FILE NO:

TELEPHONE NO: 465-3900

FROM: Mark S. Hickey *M&H*  
Commissioner

SUBJECT: Alaska Marine Highway  
System Authority -  
Issue Analysis

The purpose of this memorandum is to discuss the advisability of creating a public authority or corporation to run the Alaska Marine Highway System (AMHS), and to explore the key issues involved with undertaking such an endeavor. In recent times, a number of key state policy-makers have suggested that this type of structure should be established or seriously studied as a way to address problems or shortcomings apparently due to the current structure.

What is missing so far from the debate regarding establishment of an AMHS authority is enunciation of a clear, widely held explanation or statement of the long-term mission of the System. As part of that effort, there needs to be some clarification of what exactly have been the problems and what exactly is desired in fundamental changes in how the System functions. Once there is some consensus on these points, it is then possible to examine the current organization and alternatives to design appropriate adjustments to achieve that mission.

The failure of a clear, widely held view being enunciated by authority supporters about what role the AMHS needs to fulfill and why it should pursue that role is easily my largest reservation about the advisability of pursuing creation of an authority at this time. As they say in transportation, I'm afraid the cart may be in front of the horse.

## Background

The AMHS was created in 1963 as a fleet of four ferries to serve Alaskans in Southeast in lieu of "hard links" or roads connecting isolated Alaskan communities with other communities and the connected road systems through Canada. Since then the System has evolved into a fleet of nine ferries, now also serving most of Southcentral Alaska and the Aleutian Chain, and providing a direct "Lower 48" connection through the Puget Sound. There has been a tremendous increase in the number of communities, passengers and vehicles served since its beginning. In addition to its primary role of providing Alaskans with basic transportation services, an ever increasing part of the System's business is to support tourism.

Since FY 85, the AMHS total annual operating budget has remained essentially unchanged in current dollars, with a slight decrease in FY 90 due to the health benefit reduction by the legislature. During this same period of time, passenger ridership has grown 8.1% and vehicle usage is up 12.5%. Revenues have also grown, along with considerable improvement in the ratio or percentage of total expenditures funded by generated revenues. For example, FY 89 revenues covered over 56% of total costs, which is a new high. Costs have also risen during this time, partly due to increased usage and the effects of inflation on certain items. Inability under the labor contracts to control effectively leave usage levels during this period probably added to service level impacts.

Vessel age has increased during this period, while the level of annual capital appropriations for general system repairs has dropped. Starting in FY 88, most vessel overhauls have been performed at the Ketchikan Shipyard Repair Facility, creating an increased level of expense. The net result of these considerations is that a greater portion of the annual operating budget has had to be used for major vessel maintenance and overhaul costs, thereby further reducing the amount of funds to support direct service.

The implication of these factors is that during a time of ever increasing demand for service by Alaskans and non-Alaskans alike, the AMHS has experienced ever increasing real reductions in its purchasing power or funds to provide direct service. In most cases, this has usually meant a loss in frequency and/or convenience, versus a complete elimination of service to a particular community. It should also be noted that there appears to be widely held views that service levels have dropped more than the facts would support. Unfortunately, years like FY 89, during which funding could not support maintenance service levels and overhaul problems curtailed certain winter services, have further exacerbated these views.

### Management Emphasis

In April 1984, former Governor Sheffield's AMHS Task Force concluded that among other issues the System "is handicapped by the lack of current, specific and accurate information." They called the record keeping systems "archaic" and in need of immediate replacement. They also found a need to redefine the goals of the system, and that there was a definite "lack of continuity of purpose" and a need for a comprehensive plan to provide for future operations.