EXECUTIVE SUMMARY

Project Overview

Phase One of the AMHS Strategic Operational and Business Plan was developed by Elliott Bay Design Group (EBDG) and McDowell Group. The study identified alternative governance structures that could help the Alaska Marine Highway System (AMHS) achieve financial sustainability. This statewide effort was managed by Southeast Conference and guided by a 12-member steering committee of stakeholders from across Alaska.

Project tasks included a high-level examination of six basic ferry governance models to assess their suitability for Alaska’s unique geography, markets, and transportation needs. More detailed case studies were conducted with three ferry systems to identify ideas and lessons applicable to AMHS: British Columbia Ferry System, Steamship Authority (Massachusetts), and CalMac Ferries (Scotland). The study also included review of relevant AMHS reports and interviews with key AMHS contacts including senior management and union representatives.

The project incorporated extensive public involvement including convening a Statewide Marine Transportation Summit, solicitation of feedback through the project website, outreach to municipal governments and trade organizations throughout Alaska, and a presentation and discussion at Southeast Conference Annual Meeting.

Key findings are summarized below.

Role of Alaska Marine Highway System

For more than 50 years, AMHS has served a critical infrastructure need for Alaska residents, communities, industries, and public services.

- In 2014, AMHS carried 319,000 passengers, 108,000 vehicles, and nearly 4,000 container vans.
- The ferry system plays an integral role in Alaska’s visitor industry, carrying more than 100,000 non-resident passengers annually. Anchorage continues to be the top Alaska destination for visitors traveling on the ferry.
- AMHS accounted for 1,700 Alaska jobs and $104 million in Alaska wages and benefits in 2014. AMHS residents reside in 44 different Alaska communities.
- It also contributes to a wide variety of businesses and resident activity. AMHS spent $84 million with over 500 Alaska businesses to support operations.

Limitations of the Existing Governance System

There was a high degree of consistency in opinions offered by employees, management, State officials, key user groups, and members of the public about the current operating structure and health of the system. Limitations resulting from the existing governance system affect financial performance, functionality of the system, employee morale, and public ridership and support.

- Schedule instability caused by annual funding uncertainty and fluctuations is further compounded by the very diverse and aging fleet.
A stable funding source is needed to create schedule stability, system resilience, and long-term planning for capital projects.

Management is subject to political influence and frequent turnover in key leadership positions.

AMHS management must be given the authority and responsibility to plan long range projects and address financial issues.

Direct negotiations between AMHS and employee unions can enhance communications and improve organizational efficiency.

A succinct and memorable mission statement can unite and guide the organization.

**Governance Models to Explore Further**

The project team conducted a high-level analysis of six governance models for their applicability to AMHS. The team examined examples of ferry systems that utilize each governance model, strengths, weaknesses, and suitability for AMHS given Alaska’s unique operating environment.

Three governance models were explored more fully, with an emphasis on how they could aid AMHS in addressing the limitations and challenges that it currently faces.

- **Line Agency of State Government.** The study questions whether this is the optimal model for AMHS. Whether it remains a line agency in the near term, or indefinitely, the study provides several recommendations to strengthen the financial viability of the system including forward funding, direct control over labor negotiations, and increasing use of revenue management tools.

- **Public Authority Model.** Alaska’s Municipal Port Authority Act provides for creation of port authorities, such as the Inter-Island Ferry Authority. While this model provides increased operational management and control, it is not practical to break AMHS into multiple, competing authorities or attempt to create a single authority for the system as a political subdivision of the municipalities that it serves.

- **Public Corporation Model.** Advantages of becoming a public corporation include a businesslike approach to running the system and the inclusion of private sector expertise, leadership and accountability. State ownership of the assets allows continued access to public funding for capital and operating expenses. This model has the greatest degree of support and suitability, although it will take additional time and resources to explore the operational details, establish the legislative framework, and transition to the new structure.

Based on these findings, recommendations for Phase Two of the Strategic Operational and Business Plan Development include a thorough financial review and assessment of funding sources and cost saving measures and optimization of potential fleet standardization, ferry schedules and management processes.
PROPOSED VISION, MISSION, AND VALUES

These guiding principles were developed by the project steering committee and reflect public input at the Marine Transportation Summit and Southeast Conference Annual meeting as well as information learned through the project case studies.

Vision

To be the preeminent marine travel experience that exceeds the expectations of the communities and users we serve, while connecting with other intermodal components of State, federal and international transportation systems.

Mission

Deliver safe, reliable, and sustainable marine transportation for Alaska residents, visitors, and our commercial customers.

Values

Safety

Safety is our top priority in all aspects of providing marine transportation.

Excellence

Personal and organizational commitment to deliver excellence through continuously improving operations, vessels, facilities, and guest experiences.

Integrity and Respect

Ensure honesty, dependability, loyalty and a high ethical standard with a positive regard for customers, investors, stakeholders, and colleagues.

Partnerships

Manage operations in a fiscally responsible manner with our various business, employee, and community stakeholders to advance each other’s interests, create partnerships, and lower user costs.

Teamwork

Operate as a cohesive team through honest, respectful, and trusting interactions to ensure the organization’s viability with the goal that our employees’ professional expertise is developed, maintained, and relied upon to the fullest extent possible.