Alaska Marine Highway Reform

September 13, 2018
AMHS Reform Team

Governor Walker, Lieutenant Governor, and Administration

Southeast Conference

Statewide Steering Committee Contractors

- Elliott Bay Design Group
- McDowell Group
- KPFF Engineering Consultants
Statewide Steering Committee

Chair: Dennis Watson - Craig
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Elizabeth Bolling - Ketchikan
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- John Whiddon - Kodiak
- Dan Kelly - Ketchikan
- Michael Anderson - Cordova
- Dennis Bousson – Skagway
- Ex-officio – Commissioner Luiken
- Staff: Robert Venables
Multi-Phase Project

- Mission, Goals, and Governance
  Completed May 2017

- Strategic Operational and Business Plan
  Completed November 2017

- Legislation
  HB 412 introduced April 2018

- Interim Measures Identified
  Implementing now

- Fleet/Terminal Standardization and Continued Outreach
Phase 1

Examined mission, goals, and governance
• Statewide summit
• Stakeholder interviews
• Case studies of other ferry systems
• Mission statement refinement
• Analysis of alternative governance models

Recommended further exploration of public corporation
Purpose

Deliver safe, reliable, and sustainable marine transportation for Alaska residents, visitors, and our commercial customers.
Phase 2

Created long-term operating and business strategy
• Revenue analysis
• Operations analysis
• Operations financial model
• Structure and benefits of public corporation
• Public and stakeholder engagement
AMHS carried Alaskans from 75 communities

Fairbanks North Star Borough
- 3,316 passengers, 1,409 vehicles
- Fairbanks, Ft. Wainwright, North Pole, Eielson, Salcha, and more

Bethel Census Area
- 218 passengers, 52 vehicles
- Aniak, Kipnuk, Kwethluk, Sleetmute, and more
Visitors using AMHS also travel Alaska’s road system
- 51% visit Anchorage
- 36% visit Denali
- 26% visit Seward
- 25% visit Fairbanks
- 23% visit Homer
- 22% visit Valdez
Public Corporation Analysis

Maintains existing benefits
- Inter-departmental coordination
- Public purpose of system
- Access to federal funding

Addresses limitations
- Frequent turnover in senior leadership
- Indirect labor negotiations
- Short-term planning horizon

Additional benefits
- Incorporate board expertise
- Operate in business-like manner
- Align labor and management interests
- Reduce labor costs strategically
Additional Findings

AMHS will always require public funds to provide safe and reliable transportation

- Personnel and travel account for 69% of operating budget
- Best opportunity for revenue growth is through stabilized funding
- Transitioning to a modern and standardized fleet creates critical cost savings

Use revenue and market analysis to guide actions

- Bellingham is an essential revenue source (44% of total)
- Non-residents account for 42% of revenue
Phase 3

Build structure and momentum
- Legislation introduced (HB 412)
- Sustaining public support
- Identify interim measures
Interim Measures

Actions that can be taken now

• Work toward a sustainable, business-like organization
• Align with longer-term objectives

1: Stabilize Funding
• Increase revenues and align with seasonality

2: Fleet and Terminal Standardization
• Financial and operational efficiencies

3: Robust Market and Revenue Analysis
• Allows AMHS to deploy resources effectively
4: Address Labor Relations
   • Negotiate directly; reduce labor costs strategically

5: Board Development
   • Phase 2 recommended 7-member board
   • 5 with needed business/transportation expertise AND 1 representative of union employees
   • Seated as soon as possible to assure a smooth transition to the public corporation
Interim Measures cont.

6: Corporation Development
• Advance preparation needed for smooth transition

7: Employee Communications
• Improved, but further face-to-face meetings needed

8: Explore New Revenue Sources
• Non-operating revenues, partnerships, concessions, and shoreside potential

9: Maintain Public Support
• Continue project momentum
Project Sponsors

Platinum Top Contributor: Ketchikan Gateway Borough

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- City of Valdez
- First Bank
- Ketchikan Borough
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- Travel Juneau
- Wrangell Convention and Visitors Bureau
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