

3 big reforms for AMHS floated at conferences

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PETERSBURG — Three packages of major reforms to the Alaska Marine Highway System went under the microscope on Wednesday at Southeast Conference.

Facing an aging fleet, declining service and tightening state budgets, the regional economic development organization is working to rethink the \$150 million transportation network serving Alaska's southern coast.

The Alaska Marine Highway System is an agency within the Alaska Department of Transportation. For most of its life, it has been managed by state employees and overseen by appointees of the governor.

Sitka Mayor Mim McConnell's comments on Wednesday encapsulate what is a growing problem for those who in the past have relied on the ferry system, which from 2014 to 2015 lost almost 13 percent of its ridership, according to DOT Deputy Commissioner Michael Neussl.

McConnell leads a major Southeast community, but Sitka sits off of the main route up the panhandle, making it an out-of-the-way trip for the ferry system.

"In Sitka, we've grown accustomed now to not having adequate service — so we've moved on to other things," McConnell said. "We're looking for other ways. We know that (the ferry) probably isn't going to be traveling on the day that we need it."

In his address to the conference, Lt. Gov. Byron Mallott spoke to another complaint about modern ferry service. He said the effort "will have failed" if the reformed ferry system doesn't meet the needs of coast's smallest communities.

"People can't be worried about whether or not they're going to get off the island," said Myrna Gardner, manager of business and economic development for the Central Council Tlingit and Haida Indian Tribes of Alaska. "... The heart and purpose (of the ferry system) was always to provide safe, reliable service on a consistent basis."

The fear of a ferry system less and less connected to the state led Southeast Conference to launch its reform project.

It's approaching the end of the first phase of the work, which is scheduled to be finished before Thanksgiving, and this week the group's approximately 200 members at the annual meeting got what was for many their initial look at the details of the project.

The nonprofit hired two consultants for phase one, Elliott Bay Design Group and the McDowell Group.

Together with a steering committee assembled by Southeast Conference and Gov. Bill Walker's administration, the consultants proposed three major sets of reforms to the ferry system.

Privatization is not among the reforms, said Elliott Bay lead engineer John Waterhouse.

Currently, the system has an annual budget of approximately \$150 million. With only 30 percent of its budget coming from sales and other revenue, Waterhouse said there's little opportunity for private profit.

Three principles described by Waterhouse informed the discussion: Ferry system management should be insulated from politics whenever possible, the system must keep access to federal transportation funding, and people should avoid thinking of state funding for the system as a subsidy.

"I don't like the word 'subsidy' because it brings baggage with it," Waterhouse said. "What I like to think of is the state is paying a fee for public services. It's paying a fee to an operator to get a good, a benefit, that the state says we want to have."

That "fee for service" is "going to be part of the model going forward for at least the near future," Waterhouse continued.

Based on those principles, Waterhouse and the steering committee have settled on its three options: Converting the ferry system into an independent ferry authority chartered by the state, converting it into a state-owned corporation, or leaving it within DOT after significant reforms.

The ferry system as a public corporation would look like the Alaska Industrial Development and Export Authority, which owns the Ketchikan Shipyard.

"This is a corporation that has been set up by government to run as a business," Waterhouse said. "All of its legal structures, all of its labor relationships, all of its contracting and procurement is done along corporate lines. This corporation has a single shareholder, and that is government."

An independent ferry authority would have a governing board directing ferry operations, similar to the Inter-Island Ferry Authority — a municipal ferry authority that sails between Ketchikan and Hollis on Prince of Wales Island.

The authority would require a source of funding outside of state government, which Waterhouse said could be a significant challenge to applying the model to the ferry system.

The state-run ferry system gets 70 percent of its funding from the general fund — a large hole to fill for an independent authority.

Finally, an "improved line agency," as Waterhouse called it, would keep the ferry system within DOT.

However, he encouraged legislative reforms that would give the system the ability to negotiate its own labor contracts, which involve three separate unions and are currently handled by the Alaska Department of Administration.

Waterhouse also recommended forward funding the system one fiscal year ahead.

Southeast Conference has posted all of its reports and presentations to its website, www.seconference.org, and is requesting comments on the steering committee's recommendations.

The first phase of the project is set to be finished before late November.

The second phase will take the final reports and build a 25-year operating plan for the system, which is expected to take most of 2017.

State officials praised the work of Southeast Conference during the annual meeting.

While Mallott challenged the group to serve Alaska's most vulnerable communities, he said the organization has the opportunity to make the system an "enduring, iconic, productive and even celebrated element of Alaska's society and transportation system.

DOT Commissioner Marc Luiken said he believed the recommendations from Southeast Conference, which must be approved by Gov. Walker, the Alaska Legislature and possibly the public, will "make the system stronger and more resilient" into the future.

"This is truly the moment for Alaska to take that step back and look at refreshing the whole relationship with its ferry system," Waterhouse said.