AMHS Reform Project
Strategic Business and Operational Plan

Update: September 20
Project Purpose

Create a strategic plan for AMHS

• To provide financially sustainable ferry service that meets the needs of Alaskans

Two-phase project

• Phase 1: Mission, Goals, and Governance Recommendations
• Phase 2: Strategic Operational and Business Plan

AMHS Reform Strategic Business and Operational Plan
Project Team

Southeast Conference

Contractors
- Elliott Bay Design Group
- McDowell Group
- KPFF Engineering Consultants

Statewide Steering Committee

Offices of the Governor and Lieutenant Governor

AMHS Reform Strategic Business and Operational Plan
Phase 1 Scope of Work

- Statewide Summit
- Stakeholder interviews
- Case studies of other ferry systems
- Mission statement refinement
- Analysis of alternative governance models
- Recommend governance model for AMHS

AMHS Reform Strategic Business and Operational Plan
Phase 2 Scope of Work

Define long-term operating strategy
• Task 1 - Revenue Analysis
• Task 2 - Operations Analysis
• Task 3 - Operations Financial Model
• Task 4 - Structure and Benefit of Public Corporation
• Task 5 - Public and Stakeholder Engagement

Three tasks not funded
• Household and Business Survey
• Capital Needs Assessment
• Transition Plan
Task 1 – Revenue Analysis

Identify mix of public funding and other revenues for sustainability

Consider possible changes to tariff rates and structure

Consider potential partnerships with private, Tribal, municipal, and other entities
Revenue Findings

AMHS generates $50 million in annual operating revenue

Bellingham service is an essential source of revenue (44% of total)
  • Bellingham in the top 6 revenue port pairs

Non-resident travel accounts for 42% of operating revenue

Best opportunity for revenue growth is through forward funding
Revenue Findings

$89 million in GF support in FY17
  • Down 28% from FY13 ($35 million cut)
AMHS will always rely on public funds to provide safe and reliable transportation
Transition to a public corporation will not endanger revenue flows from federal government
Price Elasticity - Reduced fares are not likely to produce sufficient new demand to compensate for loss of revenue
Task 2 - Operations Analysis

- Identify basic marine transportation needs for Alaskans
- Examine current system operations to identify strengths, weaknesses, and constraints
Operations Findings

Complex System
- 9 Operational Vessels
- 36 Ports of Call (37 Terminals)
- Variable service schedules
- Aging Fleet
- Terminal/Vessel compatibility
- Service areas
- Terminal weight restrictions
- Traffic requirements

Residents, communities, and businesses require reliable, consistent service
Operations Findings

Strengths
• Dedicated personnel at all levels
• Vital service to communities

Weaknesses
• Lack of funding certainty for planning, scheduling, and market development
• Aging fleet with increasing and unexpected service losses
• Management - labor alignment
Develop representative model to simulate the system and demonstrate relative impact of proposed/possible changes.

Identify primary cost drivers.
Operations Financial Findings

- Shifting to a modern fleet and governance system provides more cost effective service
- There are no scenarios whereby all operating costs can be recovered through the farebox
- Bellingham service is required for system viability

- Primary vessel fleet cost drivers
  - Personnel & Travel – 54% of system total expenses, 69% of operating expenses
  - Capital improvements & maintenance – 13% of system total expenses, 16% of operating expenses
  - Fuel – 10% of system total expenses, 14% of operating expenses
Task 4 - Corporate Structure and Benefits

Objective: Describe a governance structure that best empowers management team to operate AMHS economically and meet users needs
Governance - Findings

Convert AMHS to a public corporation
Maintains existing benefits
• Intradepartmental coordination
• Public purpose
• Access to federal funding
• Access to shared services
  • DOTPF
  • Dept. of Administration
  • Dept. of Law

• Addresses existing limitations
  • Frequent turnover in senior leadership
  • Indirect labor negotiations
  • Short-term planning horizon
  • Political influence over operational decisions

• Additional benefits
  • Align labor and management interests
  • Reduce labor costs strategically
  • Incorporate expertise of board members
  • Operate in more business-like manner
Task 5 - Public and Stakeholder Engagement

**Objective:** Guide a process to share information and gather essential input

- Public Engagement Plan
- Steering Committee and Sub-Committee input
- Key stakeholder engagement
  - Residents, employees, community/business leaders, riders
- Develop and maintain new project website
- Public meetings
- Media outreach
Stakeholder Findings

Public confirmed that AMHS is vital to community economic well-being

Many suggestions for generating operating revenues and controlling costs

Continued outreach is essential
  • Inform Alaskans about the statewide benefits of AMHS
  • Educate and engage key stakeholders
Project Steering Committee

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  Greg Wakefield - Anchorage
  Elizabeth Bolling - Ketchikan
  Shannon Adamson - Juneau
  Josh Howes - Anchorage
  Will Ware - Juneau

- Sharon Hildebrand - Fairbanks
- John Whiddon - Kodiak
- Dan Kelly - Ketchikan
- Michael Anderson - Cordova
- Dennis Bousson – Skagway
- Ex-officio – Commissioner Luiken
- Staff: Robert Venables

AMHS Reform Strategic Business and Operational Plan
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Platinum Top Contributor: Ketchikan Gateway Borough

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