

AMHS Reform Project

Presented By: EBDG
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better to build · better to operate



Ferry Summit

- **Listening Session held in Anchorage on August 20th**
- **Approximately 50 attendees from across Alaska**
- **Morning session focused on role of AMHS while afternoon session focused on governance questions**

Key Themes

- Three basic user groups
 - Residents
 - Visitors
 - Businesses
- Transportation is a foundation for the Alaskan economy along with energy and communications



Key Themes (cont.)



- Engagement between Communities
- Access to fundamental services
 - Healthcare
 - Shopping
 - Entertainment
 - Connection to Lower 48
- Needs of military families
- Fee for Service (not Subsidy)

Critical Concepts

- **Dependable**
 - Schedule is known 18 to 24 months in advance
- **Reliable**
 - Breakdowns will be seldom and there will be some reserve capacity
- **Efficient**
 - Clear metrics used to improve revenue and reduce expenses
- **Sustainable**
 - Finances are predictable and benefits to Alaska are recognized

Why a Mission Statement?

- **Provides direction:** Without the mission statement providing direction, businesses may struggle when it comes to making decisions and planning for the future.
- **Clear purpose:** People who are interested in the progression of the business, such as stakeholders, will want to know that the business is making the right choices and progressing more towards achieving their goals.

Mission Statement Thoughts

- What do we do?
- How do we do it?
- Whom do we do it for?
- What value to we provide?



- A mission statement is not a vision. A vision is aspirational and forward looking. A mission statement is concrete and in the present.

Current AMHS Mission Statement

- The mission of the Alaska Marine Highway System is to provide safe, reliable, and efficient transportation of people, goods, and vehicles among Alaska communities, Canada, and the “Lower 48,” while providing opportunities to develop and maintain a reasonable standard of living and high quality of life, including social, education, and health needs.



Sample Mission Statements

- **Amazon** – To be Earth's most customer-centric company where people can find and discover anything they want to buy online.
- **CSX Corporation** - To be the safest, most progressive North American railroad, relentless in the pursuit of customer and employee excellence.
- **Maersk Supply Services** - To be the customers' first choice as a supplier of safe, high quality and reliable offshore vessel services
- **New York Public Library** - To inspire lifelong learning, advance knowledge, and strengthen our communities.
- **Patagonia** – Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.
- **Public Broadcasting System (PBS)** - To create content that educates, informs and inspires.
- **Smithsonian** - The increase and diffusion of knowledge.
- **The Humane Society** - Celebrating Animals, Confronting Cruelty.

BC Ferries – Vision & Mission

- **Our Vision**
- To provide a continuously improving west coast travel experience that consistently exceeds customer expectations and reflects the innovation and pride of our employees.
- **Our Mission**
- To provide safe, reliable and efficient marine transportation services which consistently exceed the expectations of our customers, employees and communities, while creating enterprise value.





Values

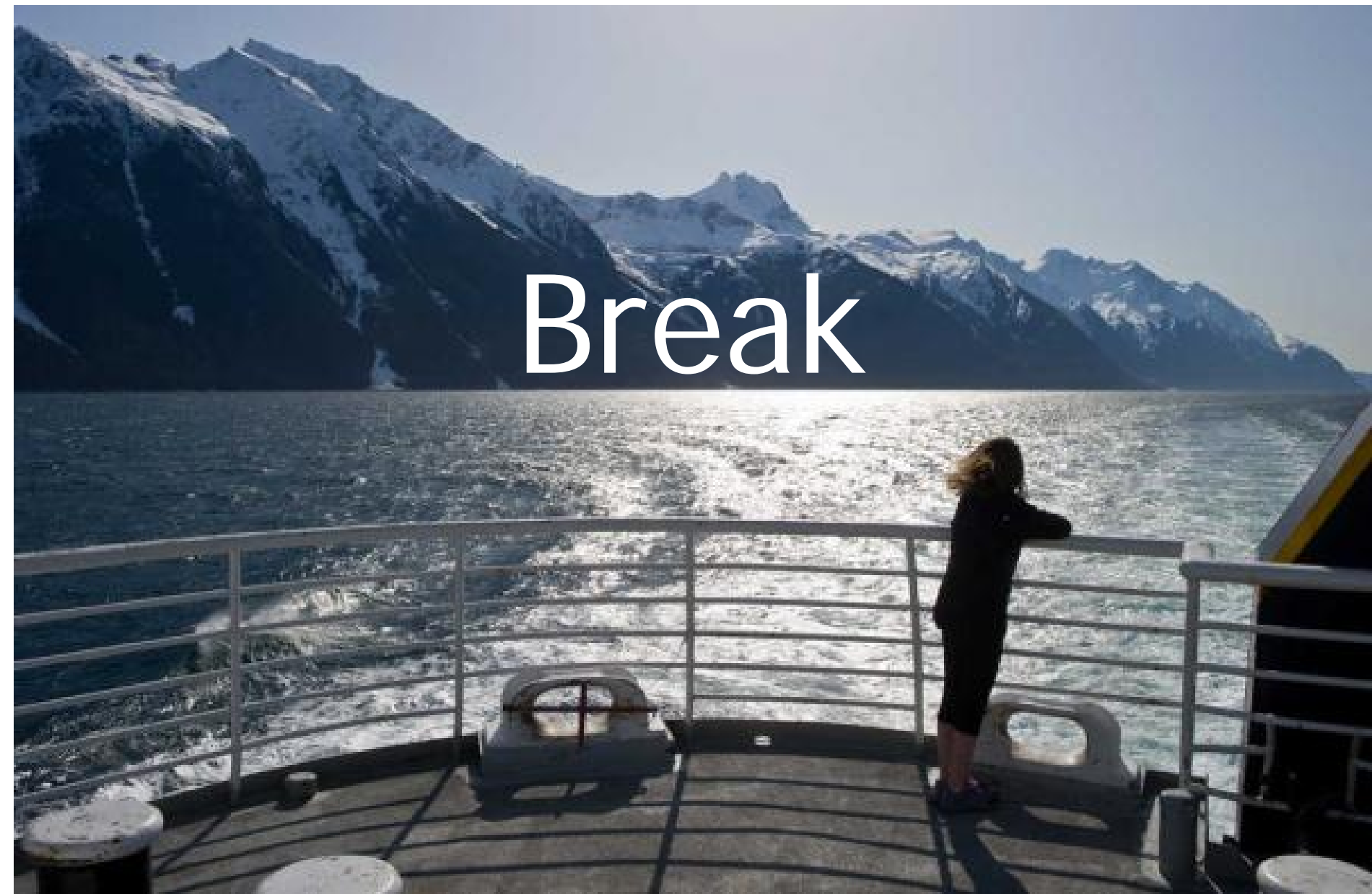
- Safety
 - Ensure that the safety and security of our customers and staff is a primary concern in all aspects of doing business.
- Quality
 - Be motivated by customer expectations in providing quality facilities and services.
- Integrity
 - Be accountable for all our actions and ensure we demonstrate integrity in our business relations, utilization of resources, treatment of our customers and staff, and in the general conduct of our business.
- Partnerships
 - Work openly and constructively with our various business and community stakeholders to exceed the expectations of our customers and advance each other's interests.
- Environment
 - Ensure that environmental standards are maintained.
- Employees
 - Always deal from a position of honesty, integrity and mutual respect, and ensure that our employees develop to their full potential.

Proposed Mission Statement

- Benefit all Alaskans through delivery of safe, reliable, sustainable and cost efficient marine transportation meeting the basic needs of residents, visitors, commercial customers, and our employees.



Break



Governance Summary

	Line Agency	Public/Private	Public Authority	Public Corporation	Private Sector	Transport District
AMHS	X					
GGF						X
BCF				X		
WSF	X					
NCF	X					
NYW		X				
BPJ					X	
SSA			X			
HG					X	
CM				X		

Identified Best Practices

- A clear vision and mission for the system facilitates governance.
- Setting performance goals and giving authority over revenues and expenses to the management team facilitates operational efficiencies.
- If the system operates with financial support from state government, there needs to be a predictable, long-term funding source identified for both operations and capital construction.
- Oversight of the ferry service functions best when there is a dedicated board free from day-to-day political influence.

BC Ferries

- Thirty-six vessels serving forty-seven terminals on twenty-five routes
- Transport 21 million passengers and 8.3 million vehicles annually
- Annual budget of \$732 million
- Publicly owned Corporation
- 51% fare box recovery for operations – *Operating subsidy from Province for certain routes*
- Combination of debt, national, and provincial funds for capital projects



Steamship Authority

- Nine vessels serving five terminals on three routes
- Transport 2.7 million passengers and 590,000 vehicles annually
- Annual budget of \$79 million
- Independent transportation authority representing five communities
- 100% fare box recovery for operations – *No subsidy*
- Combination of bonds and federal funds for capital projects



Caledonian MacBrayne

- Thirty-three vessels serving fifty-one terminals on 28 routes
- Transport 4.9 million passengers and 1.1 million vehicles annually
- Annual budget of over \$224 million (£172 million)
- Parent company, David MacBrayne Limited, is wholly owned by the Scottish Ministers
- 38% fare box recovery for operations – *Subsidy from Scottish Government*
- Vessels, terminals, and offices are leased



AMHS Senior Management

- High rate of turnover in senior management has hindered planning and implementation of improvements
- Efforts to rationalize tariffs and increase revenues are underway
- Dedicated employees are the greatest strength of the system
- Standardization of vessels is a worthy goal but challenging due to the 3500 miles of routes and 35 ports served



Labor Representatives

- Employees feel disconnected from management
- The Department of Administration does not have the understanding of ferry operations to make informed decisions
- Highly trained employees are the greatest strength in safe operation of the system
- Labor is the largest portion of operating costs so efficient use of people should be a common goal



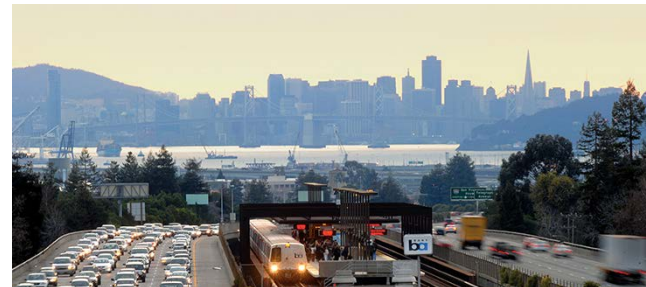
Governance Analysis

- Insulate management from politics wherever possible
 - How do you hire good managers and let them manage?
- Give management control over both setting tariffs and managing expenses
 - Where is the ability to react to changing economics?
- Retain access to funding from Federal government for capital projects
 - Who owns and manages the assets?
- Fees to support operations must be part of revenue stream
 - What is government's role in providing basic services?
- Means of coordinating with other transportation modes is essential
 - Where do roads and ferries connect to create a surface transportation network?
- Structure must reflect the benefits to all of Alaska, not just the communities served
 - Why should other communities support the ferry users?



Elimination

- **Pure Private**
 - Not enough revenue to provide a return on capital
- **Public/Private Partnership**
 - Alignment of mission between public entities and private businesses is difficult to achieve over long timelines
- **Transportation District**
 - Alaska lacks other modes of mass transit that would benefit by having regional coordination



Deserving Further Evaluation

- **Public Corporation**
- **Public Authority**
- **Improved Line Agency**

- **Every ferry system is unique so there is no single form of governance that is optimal**

Public Corporation (CalMac model)

- Organized as a corporation with a single shareholder which is the State of Alaska
- Contract with government on a fee for service by route
- Mission is to operate the system as efficiently as possible over a sufficient time period to invest in operational improvements
- Compensation and incentive systems in line with peer businesses
- State government owns the assets (vessels and terminals) and leases them to the public corporation
- Oversight is provided by a board of directors with members representing different stakeholders

Public Authority (ARRC Model)

- Independent government entity
- Separate funding source with mandate to be self-sustaining
- Exempt from Executive Budget Act, State Procurement Code, and Administrative Procedures Act
- Ability to issue debt obligations in the form of long term municipal bonds
- Oversight is provided by a board of directors with members representing different stakeholders

Improved Line Agency

- Forward funding one year in advance to improve planning by users
- Shift labor relations from DOA to AMHS to better align costs with service levels
- Rationalize tariffs to improve transparency (in process)
- Use reservation system to implement some dynamic pricing elements
- Allow incentives for management and employees to achieve objective performance metrics



Next Steps