

Alaska Marine Highway Reform



September 13, 2018

MHS 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

Dave Kensinger - Petersburg

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

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



Revenue and Traffic Analysis

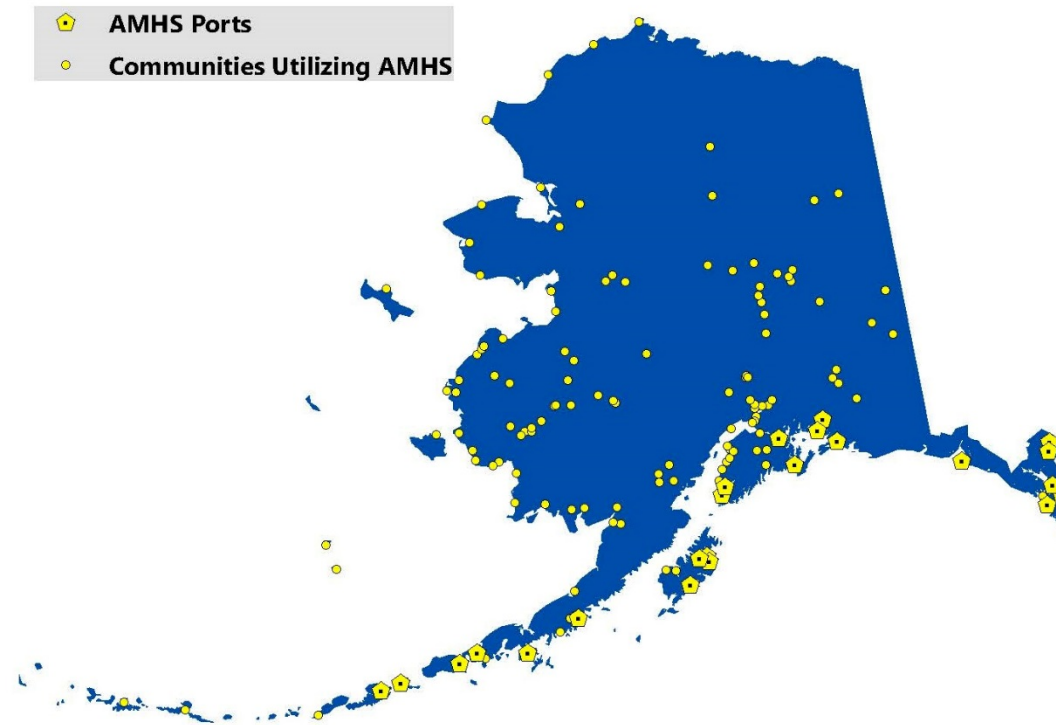
AMHS carried Alaskans from
75 communities

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

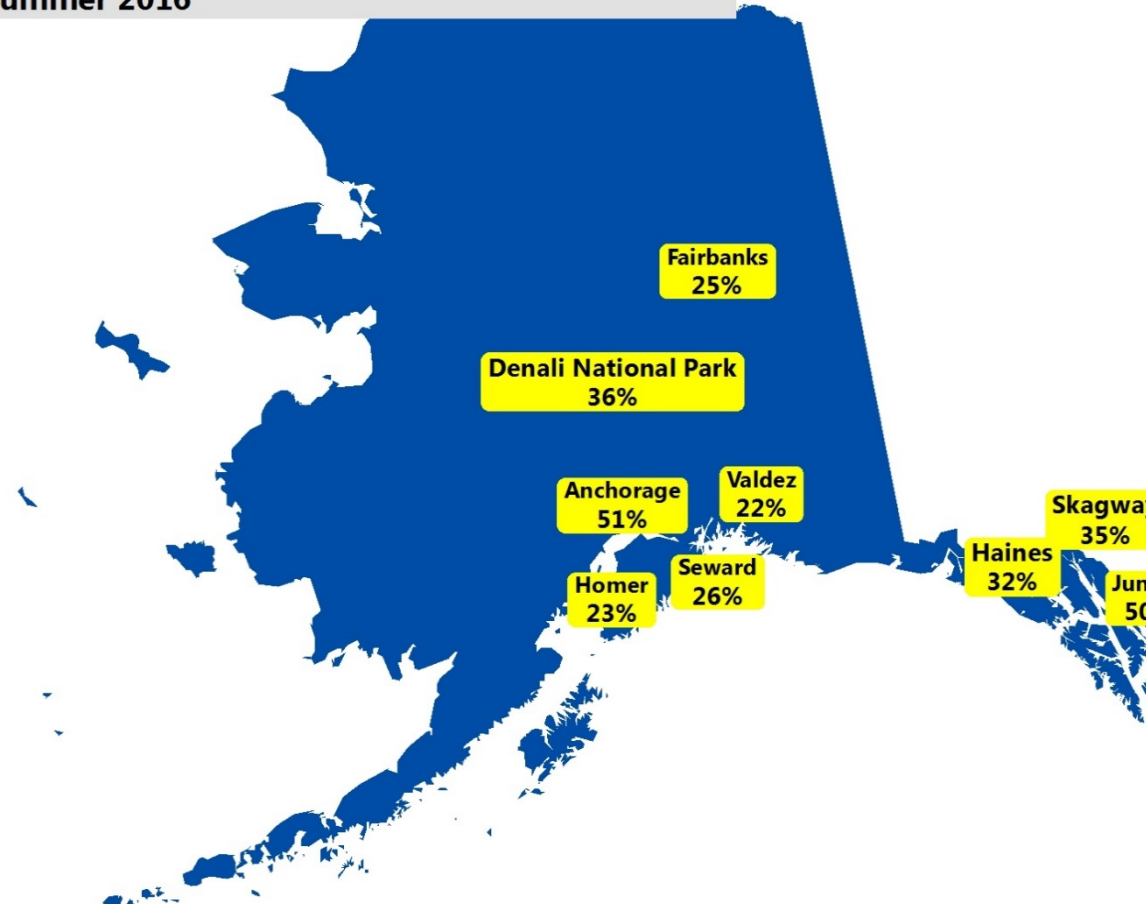


Revenue and Traffic Analysis

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

Top 10 Destinations of Visitors using AMHS
Summer 2016



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

MHS 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 decisions

- 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

Interim Measures cont.

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 Gateway Borough
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