



AMHS Reform

**Southeast Conference
Mid-Session Summit**

February 13, 2019



McDowell Group

- Multidisciplinary research and consulting since 1972
- 19 professional staff: Anchorage, Juneau, and WA State
 - Economic and socioeconomic analysis
 - Market research
 - Program evaluations
 - Feasibility studies
 - Business development and planning

AMHS Reform

- Statewide Steering Committee working to create more efficient, sustainable organization
- Pursuing Public Corporation
 - Incorporate private sector expertise
 - Longer planning horizon and stability in key leadership positions
 - Align management and labor interests
 - Strategically reduce operating costs
 - Grow revenues and public-private partnerships
 - Preserve access to federal capital funds
- amhsreform.com

Alaska Marine Highway System Reform Initiative

An Urgent Need for AMHS Sustainability



The Alaska Marine Highway System (AMHS) Reform Steering Committee is pursuing legislation to transition the ferry system to a Public Corporation, creating a more sustainable organization.

Ferry service has declined in recent years due to budget reductions, an aging fleet, and an outdated approach to labor and management relations. Without significant change soon, the system is at risk of failure. Many coastal communities will be left without economic opportunities and critical linkages to Alaska's service and supply centers.

The new state-owned Public Corporation would:

- Manage the Alaska Marine Highway and its assets in a safe and efficient manner.
- Provide essential marine transportation services, connecting coastal communities with economic and service hubs and supporting the overall transportation needs of the state.
- Provide for continuity of operations and public accountability.

Benefits from the Public Corporation include infusion of private sector expertise through the Board of Directors, consistent leadership, greater alignment between management and labor, and less exposure to political influence.

Alaska's small population and long travel distances necessitate continued public funding. Operating as a Public Corporation preserves access to federal capital funds and other financial advantages of government ownership and operation.



Alaska Marine Highway System Reform Initiative



Without significant change, the Alaska Marine Highway System (AMHS) is at risk of failure.

AMHS is unable to maximize its value to the State due to an inability to operate more like a private enterprise and pursue cost-saving collaborations with the private sector.

Operations are hindered by frequent turnover in politically-appointed positions, short-term planning horizons, cumbersome procurement processes, indirect labor negotiations, and political influence over operational decisions.

Scheduling uncertainty leads to lost revenue, compounded by the aging fleet and service interruptions.

General Fund support declined by \$38 million (31%) between FY 13 and FY 14, leading to significant reductions in service levels, ridership, and economic benefits to Alaska's economy.

AMHS requires stable funding while transitioning to a more efficient and revenue-driven system in order to ensure long-term service stability.

Economic Impacts of AMHS

\$273 million	Statewide Economic Impact
1,700	Direct and Indirect Jobs
\$104 million	Direct and Indirect Wages
175	Alaska Communities with Residents Using AMHS
300,000	Total Passengers
100,000	Total Vehicles
500	Number of Alaska Vendors

Source: <http://www.mcdowellgroup.com/web-content/February-2014-AMHS-economic-impacts.pdf>

Urgent action is needed to preserve and enhance coastal Alaska's essential transportation linkage.

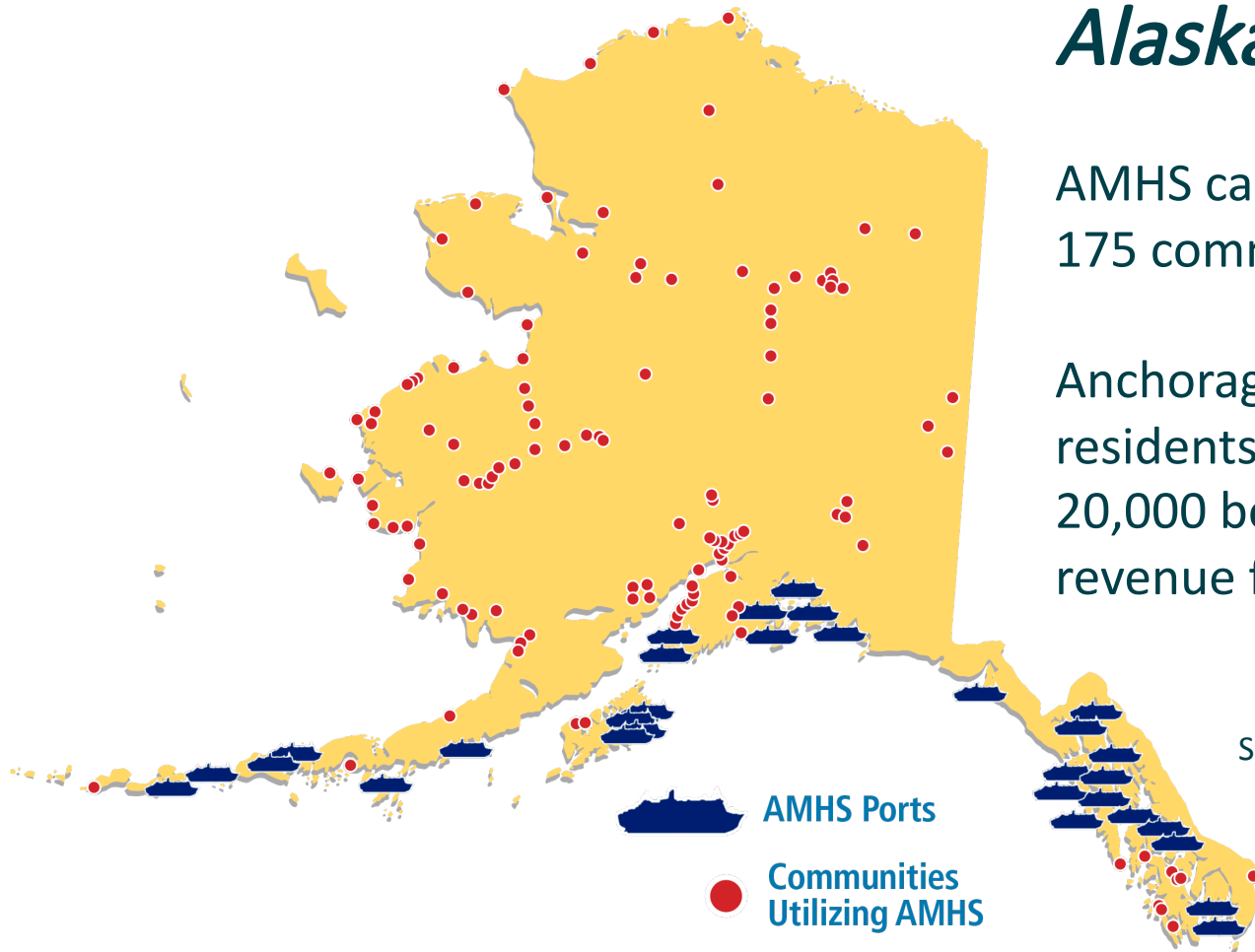
Reports and project information are available at www.amhsreform.com

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Alaskan Ridership

AMHS carried residents from 175 communities

Anchorage and Mat-Su residents accounted for 20,000 bookings and 15% of revenue from Alaskans

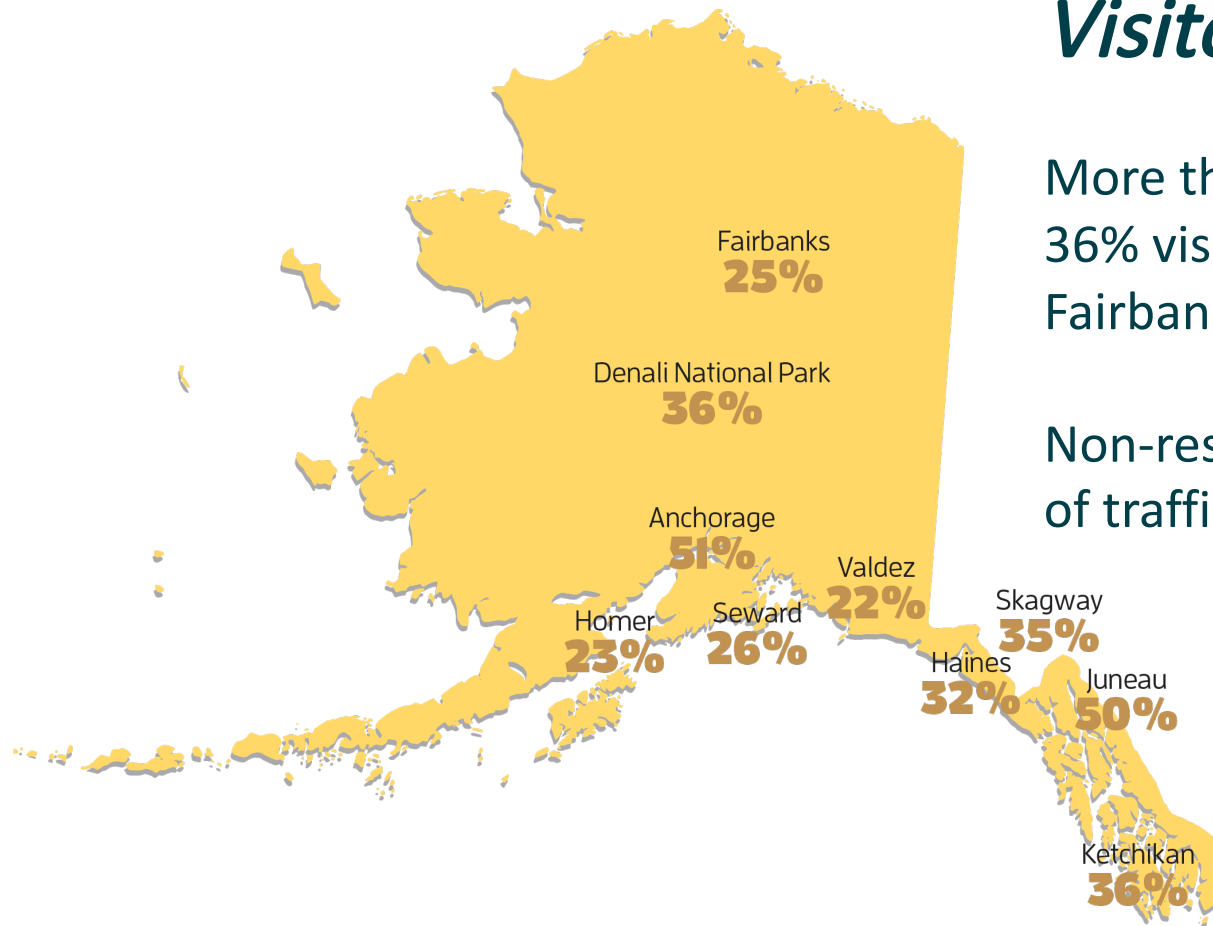


Source: AMHS data

Visitors and AMHS

More than half visit Anchorage, 36% visit Denali, and 25% visit Fairbanks

Non-residents account for 30% of traffic and 40% of revenues

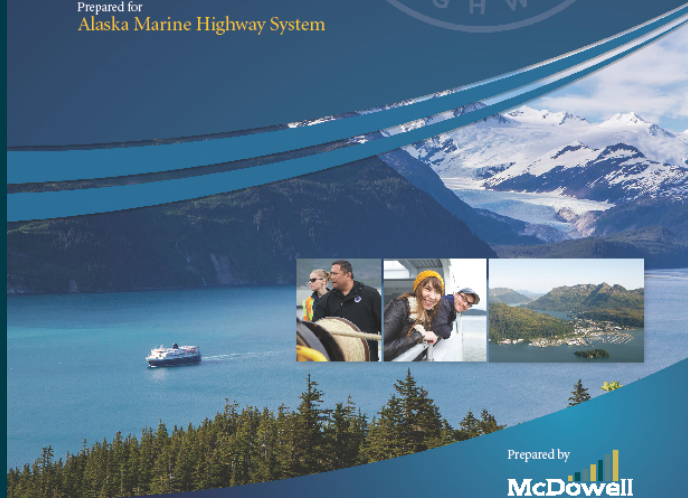


Source: AVSP 7, AMHS data

January 2016

The Economic Impacts of the
Alaska Marine Highway System

Prepared for
Alaska Marine Highway System



Prepared by
McDowell
GROUP

McDowell Group

Methodology

- AMHS data (2014)
 - Traffic: passengers, vehicles, port traffic, freight, residency, etc.
 - Employment/payroll by community
 - Capital/operating expenditures by community
- IMPLAN for impact analysis
- Alaska Visitor Statistics Program
- Executive interviews in case study communities

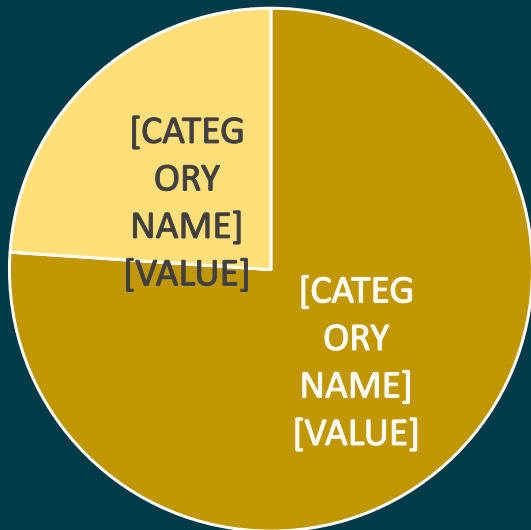
AMHS History

- 1951: Territory operates ferry in Lynn Canal
- 1963: AMHS begins with four vessels
- 1970s/80s: vessels and services expand
- 1980: 9 ships; 30 ports
- 1992: peak traffic (420K pax)
- Late 90s-late 00s: traffic decline
- 2014: 33 ports; 319K pax

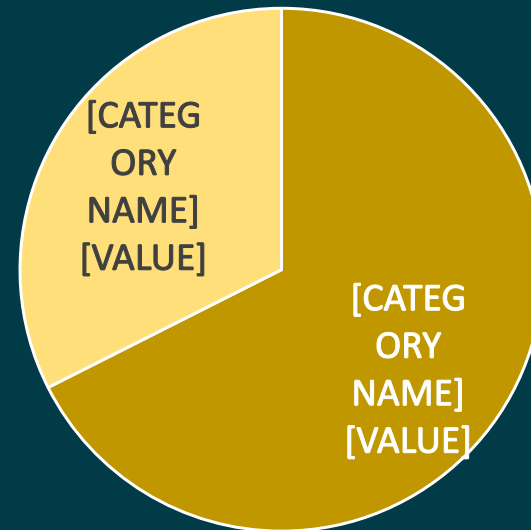


AMHS Traffic: System/ Residency

2014 Passengers by System



2014 Passengers by Residence

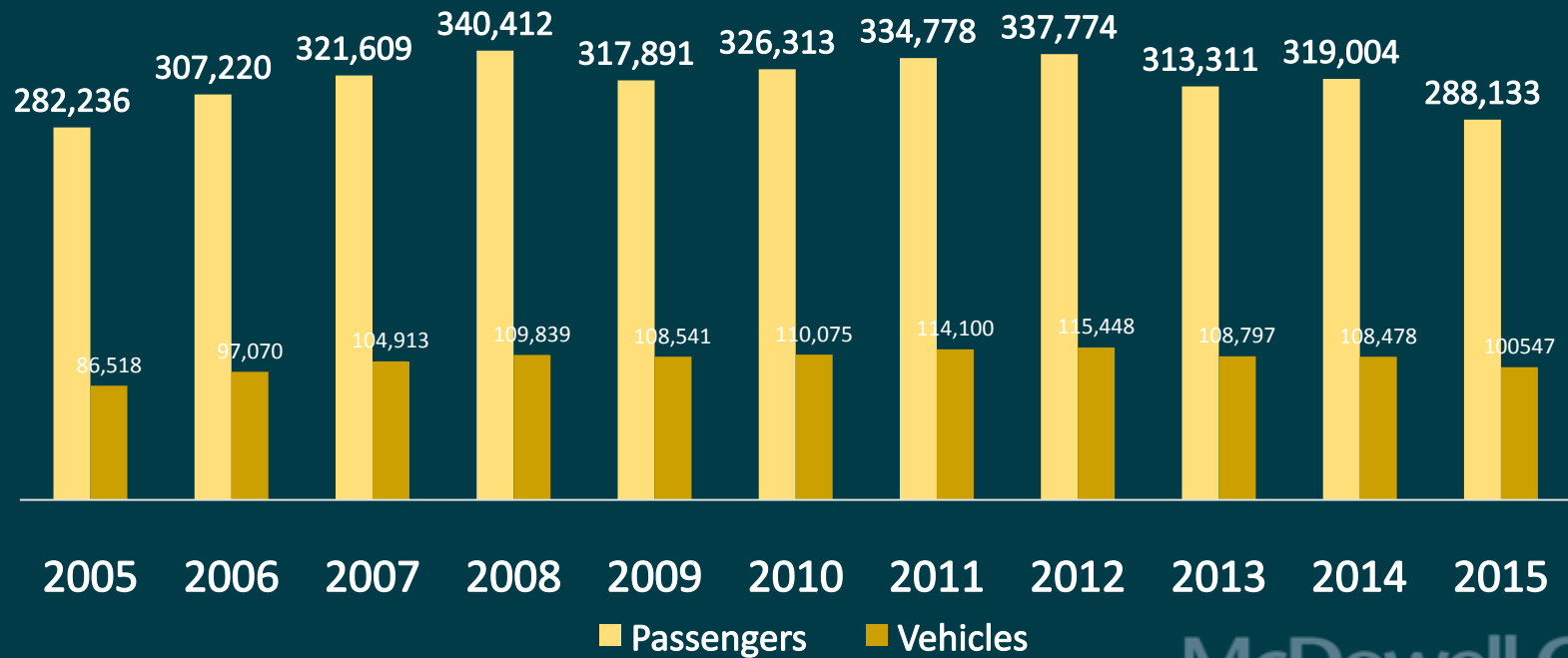


Total
Passengers:
319,000

Total Vehicles:
108,500

AMHS Traffic Trends

Embarking Passenger and Vehicle Volume, 2005-2015



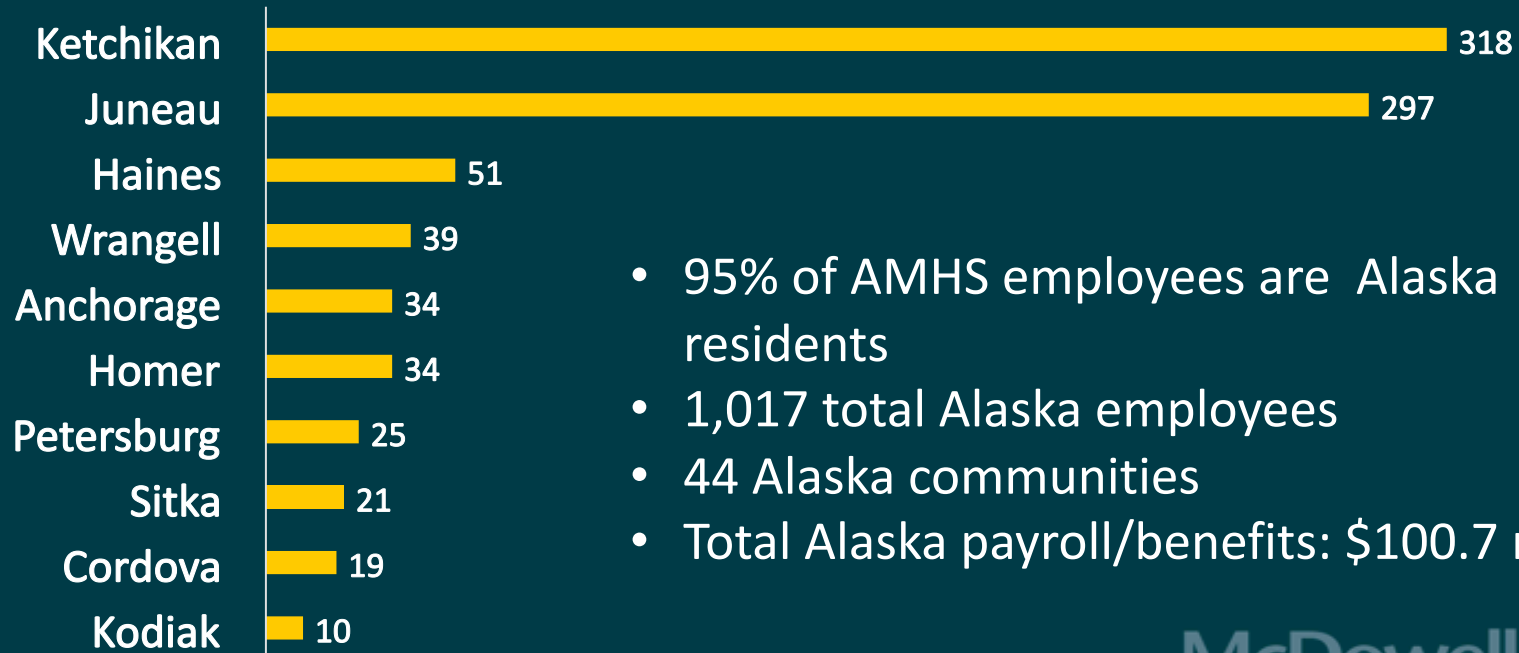
AMHS Freight

- In 2014 AMHS transported...
 - 13,110 vehicles w/o drivers
 - 4,320 RVs
 - 3,862 container vans
 - 2,269 non-motorized vehicles
 - 115 ATVs
 - 18,016 pets/livestock



Employment and Payroll

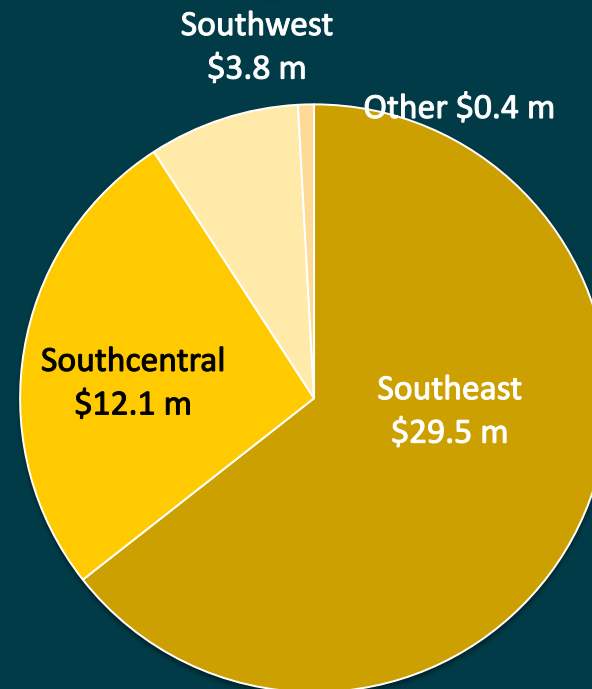
AMHS Employment by Community of Residence, Top 10, 2014



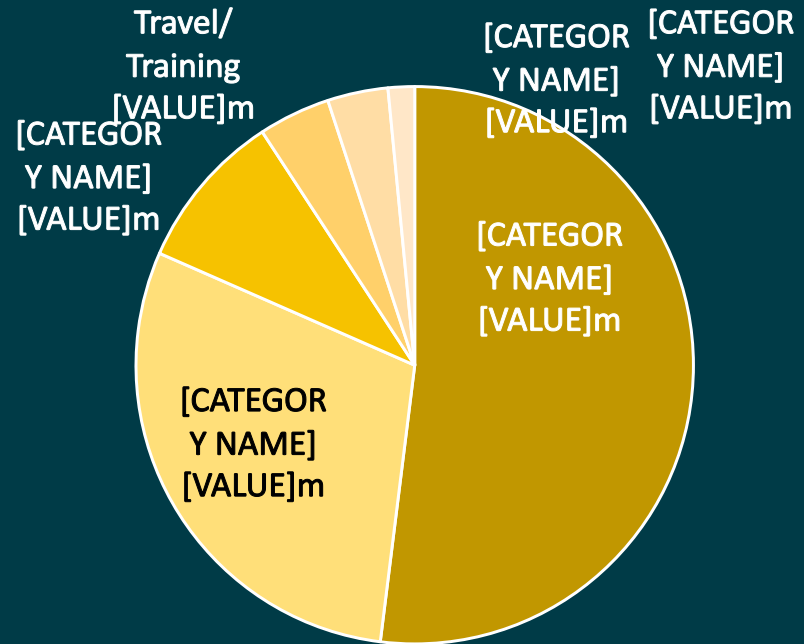
- 95% of AMHS employees are Alaska residents
- 1,017 total Alaska employees
- 44 Alaska communities
- Total Alaska payroll/benefits: \$100.7 million

Operations Spending

- Total Alaska operations spending, 2014: \$45.7 million
- Spending occurred with roughly 500 Alaska businesses
- Spending levels not necessarily reflective of traffic levels
 - Anchorage received third-highest spending

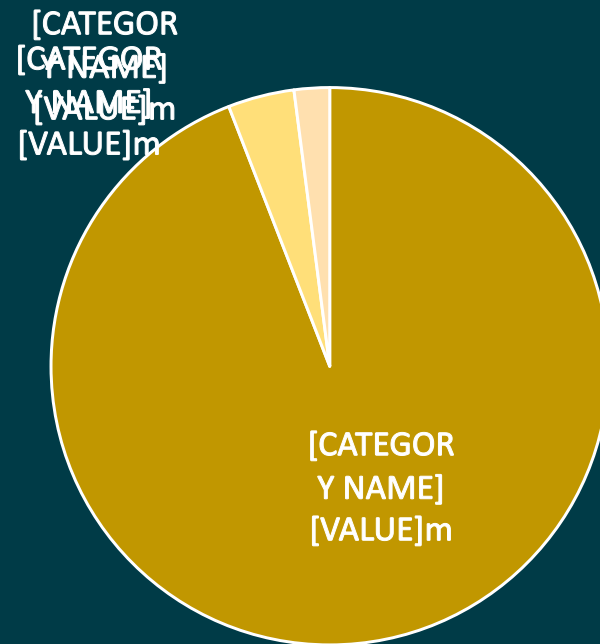


Operations: By Category



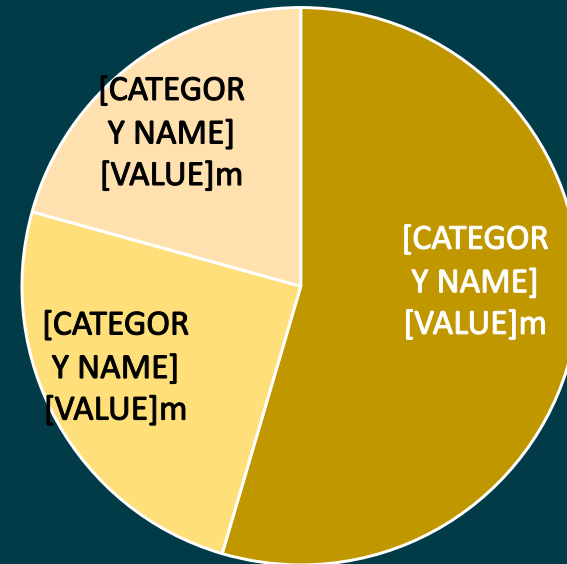
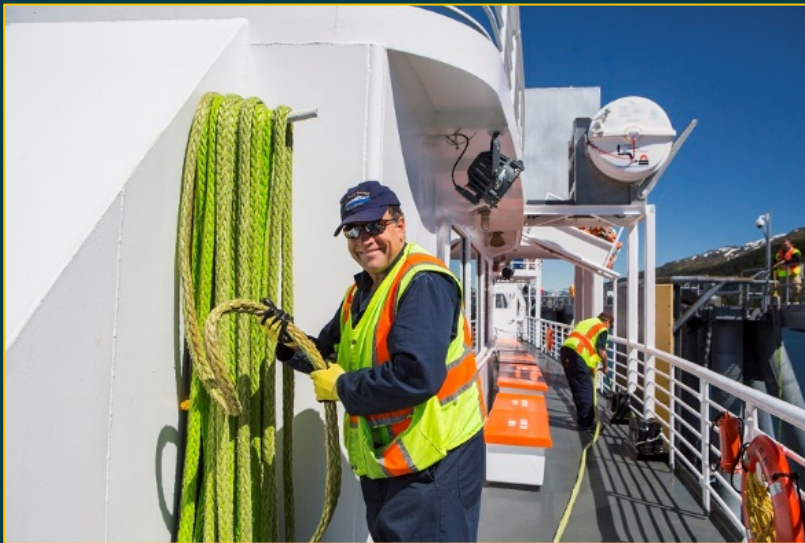
Capital Spending

- Total Alaska capital spending, 2014: \$38.2 million
- 37 capital projects
- 81% to Ketchikan (shipyard)
- Biggest projects:
 - Columbia new engine, \$15.8m
 - Alaska Class Ferry construction, \$6.2m
 - Kennicott refurbishment/upgrades, \$6.2m

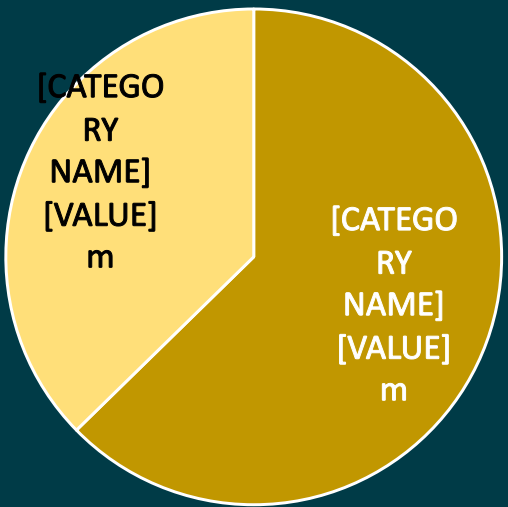


Total Direct Spending

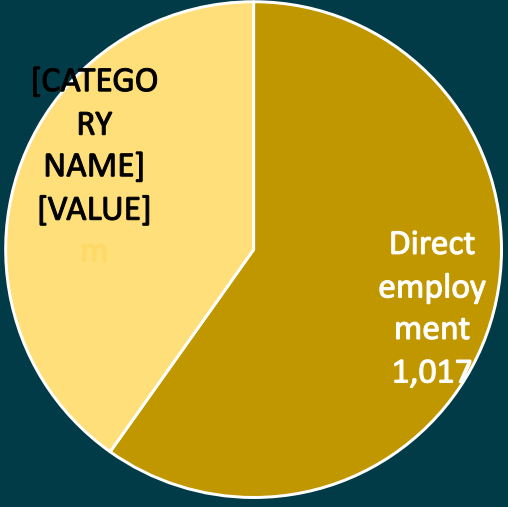
- Total direct spending in Alaska, 2014: \$184.7 million



Total Employment/Wage Impacts



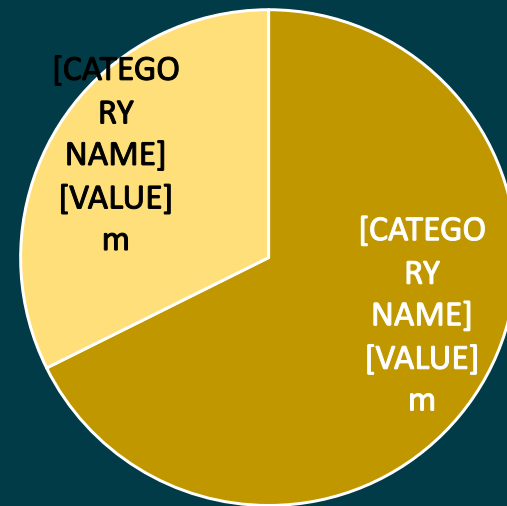
Total Wages: \$103.7 million



Total Jobs: 1,700

Total Spending Impacts

- Total spending impact: \$273 million
- More than double the State of Alaska's General Fund investment of \$117 million



Total Spending: \$273 million

Economic Impacts

- Jobs and labor income for AMHS employees
- AMHS spending with Alaska businesses
- Indirect impacts: spending by Alaska businesses that serve AMHS
- Induced impacts: spending by these businesses' employees
- Spending by visitors who rely on AMHS



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AMHS Plays Critical Role

- Important seafood ports: Kodiak, Cordova, Petersburg, Wrangell, and Juneau
- Connects residents with jet service
- Provides essential access to health care services
- Special events: Gold Medal, Haines Fair, Celebration, Copper River Wild Salmon Festival, etc.
- Affordable school-related travel



Quotes

- *The ferry is threaded into everything we do...You book your whole life around the ferry schedule.*
- *We have been building our economy around the marine highway, especially the fast ferry, for over 10 years.*
- *This community will not survive without the ferry.*
- *If we lost ferry service our business would likely go bankrupt.*
- *If ferry services were limited, this would have a huge impact on our local workforce.*
- *If AMHS stopped service, the population would drop substantially.*
- *AMHS is absolutely critical to recruitment and retention of employees.*
- *The ferry is a critical part of our success or failure...This is our road system. It just happens to be on the water.*



AMHS Reform



www.mcdowellgroup.net