

Marine Transportation Advisory Board

Minutes

March 29, 2011

CALL TO ORDER

Chair Mike Korsmo called the meeting to order at 9:00 am in the Commissioner's Conference Room, DOT&PF Headquarters Building, 3132 Channel Drive, Juneau, Alaska.

ROLL CALL

Marine Transportation Advisory Board members present: Mike Korsmo, Robert Venables, Maxine Thompson, Shirley Marquardt, Clay Koplín (by phone). Cathie Roemmich was excused. A quorum was established by roll call.

INTRODUCTION OF THOSE PARTICIPATING

DOT&PF/AMHS staff: Marc Luiken, Capt. John Falvey, Murry Couzin, Jeff Ottesen, Mike Vigue, Mike Neussl, Kerrie Traudt.

Members of the public: Doug Ward, Randy Johnson, Dennis Robinson, Becky Rooney, Leo Luczak, Weston Eiler, Jeff Logan.

APPROVAL OF AGENDA

Gerry Hope moved to approve the agenda; Maxine Thompson seconded the motion. Motion passed.

APPROVAL OF MINUTES

Gerry Hope moved to approve the minutes of December February 9, 2011 as presented. Maxine Thompson seconded the motion. Motion passed.

PUBLIC COMMENTS

There were no comments from the public.

REPORT FROM THE CHAIR

Commissioner Luiken introduced Capt. Mike Neussl, Deputy Commissioner for Marine Operations and welcomed him to the department. Capt. Neussl shared his thoughts about AMHS and the future. He thanked Capt. Falvey for his assistance during his first few weeks with the department.

The chair expressed his frustration with the lack of forward movement on the procurement process for the Alaska Class Ferry. He noted some of the changes made are good for the process but the process needs to continue to move forward. Mr. Korsmo recommended the board contact the legislature and urge their support.

AMHS/DOT&PF STAFF REPORTS

Budget Overview

Laura Baker, Administrative Services Director provided an update on the FY2012 budget. The Operating Budget is about to go to the Senate floor. Both the House and the Senate accepted the new express run as well as the continued Chain service. Both bodies have adopted new fuel trigger language. DOT&PF budget analysts are looking at fuel costs to see if it is something AMHS can live with or not. If the money doesn't stay in the budget there are other mechanisms in place to deal with the fuel issue.

Supplemental re-appropriations have been submitted to cover the projected \$4 million excess fuel trigger this fiscal year. The governor's office submitted the supplemental to cover the budget shortfall in the annual vessel overhaul cost.

Capital budget discussions are being held behind closed doors and a draft has not been available. The Senate supplemental bill took out any capital supplemental except \$4 million for AMHS.

Projected labor costs for the ongoing contract negotiations will be submitted through OMB to the legislature.

The capital budget bill included the supplemental bill that the House and Senate agreed on which included \$60 million put in by Senator Stedman. The bill has not been transmitted back to the House.

A fuel surcharge or increased fares was discussed in light of increased fuel prices.

State of the System

Capt. John Falvey, AMHS General Manager, updated the board on the vessels:

- ❖ *M/V Kennicott* is through the state overhaul (car elevator problem) and will begin its express run out of Bellingham on May 10, 2011.
- ❖ *M/V Columbia* is in Bellingham for overhaul with cylinder repairs and steel issues. The overhaul is going well and the ship is expected out of Bellingham on May 15. The *Columbia* will be crewed by May 1 in case the *Fairweather* doesn't come back online on time. There is a possibility federal funds will be available for new engines.
- ❖ *M/V Matanuska* completed her overhaul last fall and is on the Prince Rupert to Juneau run. May 19 she'll begin the Prince Rupert to Skagway run.
- ❖ *M/V Malaspina* is undergoing discovery work at Alaska Ship and Drydock. It is expected to begin operation as a dayboat on April 18.

- ❖ M/V *Taku* is currently at Vigor Shipyard in Portland, Oregon for a major overhaul and SOLAS 2010 upgrade.
- ❖ M/V *Lituya* is operating with no problems on the Metlakatla/Ketchikan run.
- ❖ M/V *LeConte* is also at Vigor Shipyard undergoing a major overhaul. The work is on budget and on time. It is expected back as a dayboat on April 15. There will be no service to Angoon April 1-14.

Mr. Venables spoke to the need to be proactive in notification to communities and users about no service, the dates and the reasons. Shirley Marquardt spoke to the need for early notification about service to the Chain.

- ❖ M/V *Aurora* will be back in Prince William Sound April 1. It is scheduled for a federal overhaul during Winter 2012.
- ❖ M/V *Tustemena* recently underwent emergency engine repairs and will be out of the yard to do the April 5 Chain run.
- ❖ FVF *Fairweather* spent the winter at South Berth. The engines were bored and the cylinders are at 7 passes. The legal team traveled to Spain to meet with owners of a boat with the same engines. There are 40,000 documents in discovery to date.
- ❖ FVF *Chenega* will run in Prince William Sound April 4 until October.

Projects underway:

Power Management System (fuel saving system) is currently being installed. Seven of the systems will be installed and commissioned by Fall 2011.

SATCOM Systems: anticipate will have 9 systems up and running by Fall 2011. Tracking system is being developed and built in-house and is currently being tested. Maintenance will also be done in-house. 511 systems will be integrated.

New reservations system is scheduled to be up and running by Summer 2012. A contract will be awarded shortly to a project manager. It will contain a point-of-sale system.

Schedules for Fall/Winter/Spring 2011-2012 should be available by early July; Summer 2012 should be out by early October.

Discussions are underway with the City of Whittier to lease additional land to alleviate parking problems at the terminal. Security issues with kayakers are being addressed.

The remodel design of the recently purchased Ward Cove property is almost complete. NOAA may be interested in a joint venture with AMHS at the Ward Cove waterfront to homeport their vessel.

Anticipated completion date of the Angoon terminal is November 15, 2011. Mr. Hope asked about Sitka/Angoon service and suggested a ceremony be held in Sitka in honor of the first ferry between Angoon and Sitka.

The Hoonah terminal's completion date is scheduled for December 1, 2011. The Homer warehouse project is ready to begin groundbreaking. The Haines terminal repair, stage 1 is scheduled to be completed September 2012.

Negotiations are ongoing with the City of Prince Rupert for land acquisition. Terminal repairs are needed in Petersburg and Wrangell. One repair mobilization is being looked at in order to save money.

The Cordova hard fueling line is on hold pending a proposal from the fuel company. Mr. Koplín reported that Cordova Electric is considering ultra load sulfur being produced in Valdez as a cost-saving effort.

Mr. Hope asked about an upgrade at the Kake terminal; Capt. Falvey will report back.

Yakutat Service

Capt. Falvey reported that the express run is anticipated to generate approximately \$2.7 million annually. The pros and cons of adding service as requested by Yakutat were discussed at length. Mr. Venables asked AMHS to find some middle ground to the requested service. Mr. Koplín asked if there might be a way to accommodate surf boards. Clay will contact the city to discuss with them how AMHS can better serve the community as well as the challenges of the Alaska Marine Highway System.

Robert Venables requested an update from Capt. Falvey about the Haines terminal project.

LEGISLATIVE UPDATE

Jeff Ottesen, Program Development Director, introduced recently appointed discussed federal funding and the importance of obligating funds by late August or they'll become available to other states. A list of projects has been put together and is pending legislative authority. The M/V *Columbia* repower project is a priority project; Mr. Ottesen stated he expects the project to be funded.

SB 37, introduced by Sen. Thomas and HB 30, introduced by Rep. Wilson due essentially the same thing – create an Alaska transportation fund that would start as an endowment and continue with annual infusions of money from Department of Revenue monies – fuel taxes, motor vehicle fees, some rental car fees. Governor Parnell is neutral to these bills.

Mr. Ottesen introduced Mike Vigue who is responsible for the STIP and the long-range transportation process. Mr. Ottesen noted that Mr. Vigue was the first DOT&PF transportation planner.

Gerry Hope commented about the perception that the State of Alaska doesn't contribute money to its transportation. Mr. Ottesen stated that Alaska is at the top of the list of states that contribute to its own transportation. It was requested that MTAB be copied on communication with the congressional delegation.

ALASKA SHIP AND DRYDOCK UPDATE

Doug Ward, Director of Business Development, and Randy Johnson, General Manager, provided an update on Alaska Ship and Drydock, Inc.

ALASKA CLASS FERRY PROCUREMENT PROCESS

Mark O'Brien, Chief Contracts Officer, discussed the procurement process for the Alaska Class Ferry. The goal of the administration is to build a quality ship under a competitive environment while considering the economics of building a ship in Alaska. The Governor's Office is currently considering the timelines. Mr. O'Brien stated he was not at liberty to discuss the process.

Some of the potential options for procuring the ship are: (1) by statute all public transportation projects in Alaska are constructed by low bid; or, (2) construction manager as general contractor (CM/GC) or construction manager at risk (CMR). Under the CMGC process the contractor is brought on as a consultant early in the process to work with the designer. (3) Design build puts the design of the ship with the shipyard.

Following a lengthy discussion the board agreed to meet by teleconference about May 1 for an update. It was agreed the Chair will send a letter to the Governor supporting the CMGC process as well as a letter to legislators supporting funding for the Columbia engines and an additional \$60 million for the vessel replacement fund.

ACTIONS ITEMS

It was agreed that Mark Eliason will explore public/private partnerships (marketing) and report to the board at the next meeting.

It was requested that Capt. Falvey and Dick Leary report on fares and fuel increases.

BOARD DISCUSSION

Mr. Hope announced he would be holding a community meeting in Sitka in May and Petersburg/Wrangell at a yet to-be-determined date.

The next MTAB meeting will be by teleconference on May 3 beginning at 9:00 am. It was agreed to meet in Kodiak in early June. Staff will contact board members for available dates.

ADJOURNMENT

Robert Venables moved to adjourn at 2:30 pm. Mark Eliason seconded the motion.