

Marine Transportation Advisory Board  
Department of Transportation & Public Facilities, Juneau, Alaska  
Minutes  
March 11, 2014

**Call to Order**

Marine Transportation Advisory Board (MTAB) Chair Robert Venables called the meeting to order at 9:05 a.m.

**Roll Call to Establish Quorum**

*The Marine Transportation Advisory Board Members Present:* Chair Robert Venables, Vice Chair Joshua Howes (excused), Cathie Roemmich (excused), Shirley Marquardt (excused), Gerry Hope, Daniel Kelly, Maxine Thompson, Ron Bressette (excused), Tim Joyce, Patricia Branson (via teleconference), Richard Knapp.

**Phone Roll Call and Introduction of Those Present**

*Department of Transportation and Public Facilities/Alaska Marine Highway System (DOT&PF/AMHS) staff members present:* Commissioner Pat Kemp, Deputy Commissioner Reuben Yost, Captain John Falvey, Matt McLaren, Jeremy Woodrow, and Jessie Knudsen.

*Members participating via teleconference:* Senator Dennis Egan along with his staff and Jim Potdevin (Southeast Region Planning).

*Members of the public present:* Mayor Merrill Sanford (City and Borough of Juneau), Doug Ward (Vigor Industrial), Sandy Williams (member of the public), Dave Miller (Federal Highway Administration), and Ed Schoenfeld (Regional News Director, CoastAlaska).

**Motion to Approve Agenda**

Gerry Hope requested an addition to the end of the public comments; the board agreed on the addition to the agenda. Gerry Hope moved to approve the agenda; Tim Joyce seconded the motion. The motion passed unanimously.

**Motion to Approve Minutes**

Maxine Thompson requested her attendance be changed from absent to excused on the roll call; the change was accepted. Maxine Thompson moved to approve the minutes; Tim Joyce seconded the motion. The motion passed unanimously.

**Administrative Remarks**

Commissioner Pat Kemp addressed the board. Over the past year DOT&PF has learned many things: With the loss of ferry service we saw a large economic impact in communities, we have learned that the private sector cannot provide service in Southwest Alaska due to its unique requirements, some discount programs don't bring in additional ridership, and travel agent commissions can be changed. Additionally, we learned the LeConte needs some updating, the Tustumena is a very unique vessel, the Matanuska's engines can run longer, and the fast ferry's engines can be run in a more efficient manner, creating about a seven percent cost savings in fuel. The department is continually learning and held a meeting in February, Summit for Success, designed to spread knowledge and connect different sections throughout the regions.

As we look ahead we will all be tightening our belts: The department's goal is to save general fund dollars while maintaining the service currently in place. One thing that must be understood is that service cannot substantially increase without creating roads to cut down on vessel travel time. Extending roads and cutting down the vessel travel time will substantially decrease operating costs and make additional service possible. At this time, with the budget where it is, we cannot say when additional service might be added.

Commissioner Kemp addressed the board's questions and comments: What roads potentially will be extended? - The road from Metlakatla was extended, bringing down operation costs; Juneau Access is another road extension that will save a lot of time and money; Additional proposals are being looked into; as for possible road extensions in southwest there is not much opportunity. What can the board do to help progress road extensions? – Look for areas where roads can be built to shorten ferry travel. Sitka Tribe opposes the proposed road to Rodman Bay, however would like a road to Baranof Warm Springs to be researched, this road extension could provide additional service to Sitka and cut down on vessel operation time; Pat Branson commented that she understands the budget is tight and the main goal right now is to maintain the current service.

Jeff Jones, Special Assistant to the Governor, addressed the board. Jeff thanked the board for the invitation to participate in the meeting. When the Governor introduced this year's budget for DOT&PF it was similar to last years, and compared to other agencies it is favorable. With the recent budget cuts and no sign of the budget getting better anytime soon, the board was encouraged to have vision and think creatively. Potential revenue opportunities are arising, since SB21 passed the state has totaled more than six billion dollars of new projects and new oil. Another upcoming opportunity is Liquefied Natural Gas (LNG), which is probably as critical to Alaska as the oil tax reduction. If the state goes into the LNG business it would be a 25% owner. We are tied to oil and gas whether we like it or not, that is the nature of our state and our economy. When it comes to budget reductions and need for service, it is going to require creative solutions, and the Governor is hoping boards like this one will come up with creative solutions.

Mr. Jones addressed the board's questions and comments: Request was made for someone from the Governor's Office to sit in on discussions about a potential road to Baranof Warm Springs and to explore the possibility of this road; MTAB sent a request to the Governor and the Legislature to fund vessel replacement costs as vessels are going to need to be replaced due to the fleets age. – The Governor has included five million dollars in the budget for vessel replacement, and while this may not seem like a lot, it is evidence that the Governor is aware of the need.

### **Public Comment**

Shelly Wright, Executive Director for Southeast Conference (SEC), invited the public and board members to their mid-season summit that will take place this week. There will be a break out meeting Friday, 9:00 a.m. at Centennial Hall if MTAB would like to attend or assist please let SEC know.

Sandy Williams gave a quick statement on Juneau Access: make the road longer and run shorter ferries.

### **Invitation**

Gerry Hope invited Deputy Commissioner Yost and/or Captain Falvey to attend and present at the Alaska Tribal Transportation Workgroup meeting April 14-17, 2014. Deputy Commissioner Yost accepted the invitation, stating that he or Captain Falvey would attend the meeting.

### **Report from the Chair**

Chair Venables encouraged the board to get out in the communities and talk with the public. As members of the MTAB board we need to be liaisons between the public and AMHS. On Monday, March 10, the Chair went on KINY, Juneau's local radio station, to talk about MTAB and the upcoming meeting. Additionally, the Chair reported receiving many calls regarding the Tustumena and other issues.

The Chair informed the board of a letter sent from the House/Senate Finance Committee to the Governor regarding DOT&PF's budget. The budget is going to be tight for a while and as operation costs rise and the budget is reduced we need to be looking for additional revenue opportunities. Members of the board suggested possible fare adjustments, using the empty space where gift shops used to be for other forms of revenue opportunities, and providing internet to riders for a fee.

### **Alaska Class Ferry (ACF) – Progress Report**

Deputy Commissioner Yost updated the board on the ACF. The vessels are anticipated to hold 53 vehicles and 300 passengers, run at 15.5 knots, and will be highly maneuverable. One feature of the

vessel that will make operations more efficient is drive through doors (bow and stern); this will make the loading and unloading process quicker and consequently the vessel will have a quicker turn around time. Additionally, the car deck will be completely enclosed to increase weather protection and potentially lower maintenance on the vessel.

The concept design for the vessels is to be 280 feet in length, reduce spray by optimizing the shape of the bow, and shelter important equipment to keep it from accumulating ice. Based on the concept design, a model of the vessel was tested at Force Technology to conduct a seakeeping analysis and determine its Motion Sickness Index (MSI). The test concluded that based on the length of the vessel and the location of the passengers the MSI will be within the required standards and the vessel will be more comfortable for passengers than the LeConte.

We are hoping to have the final cost estimates from Vigor Industrial and Elliott Bay Design Group by the end of this month. Depending on the final estimates we will move into either negotiating a guaranteed maximum price or advertising in April and award the shipyard contract in June. Currently, the first vessel is projected to be delivered in the middle of 2016 and the second vessel in May of 2017.

Deputy Commissioner Yost and Captain Falvey addressed the board's questions and comments: What will the schedule be for the vessels? - The vessel will potentially leave Juneau between 7:00 a.m. – 8:00 a.m. and arrive in Haines roughly five hours later. Our hope is to switch the vessels periodically to keep the operating time of each vessel similar; What is the process was for vehicle loading and unloading compared to other vessels? It was requested that a slide showing the loading and unloading process along with the amount of time the process will save be incorporated in the next meeting's PowerPoint.

### **Tustumena Replacement Process Update**

Deputy Commissioner Yost and Captain Falvey reported on the Tustumena replacement project. The draft reconnaissance report is in the final stages and will tentatively be on the website and open for public comment by Friday. Recently, teams were sent out the chain to analyze ports and determine optimum overall length for the replacement vessel. After inspection, 325 feet was determined to be the optimum length. The longer vessel will provide better seaworthiness along with more capacity.

We are looking at a crew size of 37 for the new vessel, which is required for the increased passenger and stateroom capacity. As we progress in this process we will be looking at the use of a starboard side door. It has not been determined if the vessel will be built with it or be made capable for conversion. Another potential addition to the vessel is the possibility of running it on LNG; using LNG has the potential of saving up to 20% on fuel. Many factors have to be considered for LNG to be used: the vessel would have to carry a week's worth of fuel on board, the tank would need to be in accordance with US Coast Guard regulations, and where it could be stored on the vessel. As the design of the vessel progresses we will continue to evaluate the layout and if the use of LNG is possible.

The preliminary cost estimate given in the Reconnaissance Report estimates the total project cost range to be \$220 million to \$250 million. Another cost estimate will be published in the Design Study Report (DSR), which will be completed in roughly a year. The intent is to use minimal federal aid for the project. Important upcoming milestones for the project are: public involvement in March through April and the DSR will tentatively be completed in September 2014.

DC Yost and Captain Falvey addressed the board's questions and comments: It is important to get input from smaller communities along the chain; it was suggested to hand out flyers to communities and hold public meetings in the main hubs along the chain, allowing other communities to come and attend in person or via teleconference. This is a 50 year investment and needs to be done right. – Deputy Commissioner Yost suggested posting the meeting locations on the AMHS website to see if that is sufficient; Who is on the Steering Committee? – The Steering Committee is made up of AMHS terminal, vessel, and shoreside staff; What is the minimum the state must match of the \$250 million, and has thought been given to potentially using a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan? - Deputy Commissioner Yost deferred the question to David Miller (FHWA). The state matching amount varies based on the funding source and category. Most matches are not 80/20, for this project roughly \$50 million will be needed for the match, which we have just about met. TIFIA loans are

run by the United States DOT, and are used for large projects that are put on the back burner due to other projects.

**AMHS Staff Reports** – (see meeting packet for fleet and terminal reports)

Deputy Commissioner Yost updated the board on the current and upcoming fiscal year's budget. FY14's operating budget is \$165 million. We are right on track with the budget with the exception of one area, AMHS had less revenue than anticipated due to the Tustumena and the Kennecott being down, which left us \$3.7 million short. The Governor proposed this \$3.7 million come from an existing fuel trigger fund to cover the shortfall: in FY13 there was \$16.6 million in this fund. Additionally, the Governor proposed that six million dollars from the FY15 capital budget go towards annual overhaul and three million dollars for maintenance. The Governor proposing this shows he is aware that AMHS has older vessels that require updates to be kept up and running. Rather than adding the additional fuel trigger money to the capital fund, it will go into the vessel replacement fund. With this addition, the replacement fund will total \$45 million.

Looking ahead, the FY15 operating budget is \$154 million; this is partially due to the decrease in insurance costs on vessels. Moving forward we need to keep four key points at the forefront of what we do: live within our means, focus on our priorities, maintain what we have, and finish what we have started. With this budget reduction we have to find places to cut expenses; closing gift shops is one of the ways we can do this. While gift shops are nice to have, they are not part of AMHS core mission and cost us over one million to run. With inventory already low, it is the perfect time to slowly close down the gift shops. This cut will effect 10 positions; instead of losing these employees they will be moved to other positions on the vessels and 10 positions won't be posted for new hire this summer.

Additionally, impacting the FY15 operating budget is union negotiations. With the ongoing negotiations, we don't fully know what our budget will look like; the net result will be the results of negotiations. Currently, the senate has the operating budget, and it is possible a fare increase will be used as another source of revenue. This will be further explained once the fare analysis is completed at the end of April. Even more, we are looking into penalties for no shows and more for Commercial Vehicle Enforcement.

Captain Falvey updated the board on AMHS budget reduction measures. At this point the reductions are on track. By cutting operation hours to nine hours per-day on the Latuya, we are saving roughly \$200 thousand. We will have to wait a little longer to see what reductions will come from the Taku. The savings from cutting travel agent commissions are on track and will be shown this summer. We have been watching the call wait times since cutting travel agent commission, and we have been able to keep up with the volume of calls received. Additional savings are coming from alterations to cell phone services, resulting in \$25 thousand in savings, and moving the AMHS warehouse from Bellingham to Ketchikan, saving \$80 thousand.

The board was updated on the Fast Ferry engine replacement. The project is moving along very well, it looks like we may be running a week behind the April deadline but we might be able to get the work done quicker if needed. This engine replacement will sustain the vessels for the remainder of their life.

Deputy Commissioner Yost and Captain Falvey addressed the board's questions and comments: It may take a few more years before money comes in for the Tustumena Replacement project – It would be preferred if the project could be a 50/50 split; however, currently there is not enough capital funds for that; Where is the five million dollars for vessel replacement coming from, and is there still enough money left for fuel costs in the trigger fund if something happens? – The five million will come from the excess fuel trigger fund. Even with money being taken out, there will still be money left in the fund if something happens and funding is needed; What will happen with the empty space where the gift shops used to be? – There is no plan right now as to what the space will be used for; Has AMHS ever considered private contractors for use of the space? – The unions will not allow private companies take jobs that could be used for AMHS employees. However, we will be looking at online vendors to sell AMHS material; Can more information be provided to the board on reduction measures and the actual numbers coming in? – Once the numbers are finalized they will be passed along to the board, probably in a few months; When will the fare study be completed? – Hopefully in a month or two depending on how good the draft is.

## **FY15 Legislative Recommendations**

MTAB's primary legislative request for FY15 is for construction funds to be appropriated for the Tustumena replacement. Chair Venables stated to the board that since this is a statewide issue with a considerable amount of funding required, this request will need broad support of many legislators. Board members should contact as many legislators as possible with particular focus on members of the House and Senate Transportation Committees.

## **Board Comments**

Pat Branson – Thanked the board for the opportunity to participate in the meeting via teleconference, thanked Commissioner Kemp for coming to the meeting, and also thanked Captain Falvey for participating in the Southwest Alaska Municipal Conference meeting.

Dan Kelly – Thanked Commissioner Kemp and Jeff Jones for presenting at the meeting, a lot of good information was shared; Thanked Captain Falvey and his staff for their work, he understands it is not always easy in these fiscally tight times. Addition, he is looking forward to focusing more on the long range plan and would like to take on some responsibility to reinforce the importance of the Prince Rupert route to Alaskans.

Gerry Hope – Appreciated Jeff Jones attending the meeting and would like to see participation by the Governor's office more in these meetings. In the future he would like to see more coordination between members when going down to the capitol and would like the board to start thinking about what kind of communication they need to have with Washington, D.C. Additionally, he requested a cost estimate of going to Rodman Bay compared to Baranof Warm Springs be added to the agenda.

Maxine Thompson – Shared her concern regarding classifications of communities. Because AMHS services communities that without services would be classified as rural, these communities are classified as urban. The economic health of these communities is dependent on AMHS service. She also stated her desire to be at the previous meeting in Anchorage but was obligated to help with a potlatch. In addition, she gave a moment of appreciation to Mark Eliason, saying his dedication to MTAB should inspire us all.

Richard Knapp – Stated it was good to be at his first MTAB meeting, and also agreed with Gerry that MTAB should get a lead on the funding and highway transportation bill.

Tim Joyce – Would like to learn more about federal funding and how the state match works. He wants to look ahead: What is the next vessel that is going to need to be worked on? Thanked Mr. Jones for attending the meeting today and Captain Falvey for his work. Joyce requested a protocol be set up to notify the board if an issue arises regarding AMHS that will last longer than a day.

Chair Robert Venables – Stated he was glad to see Commissioner Kemp and Jeff Jones come to speak to the board, it shows they take the board seriously and that the board has merit.

## **Next Meeting**

Chair Venables stated the next meeting will tentatively take place June, potentially in Kodiak, Alaska.

## **Adjourn**

Tim Joyce moved to adjourn the meeting; Dan Kelly seconded the motion. Meeting Adjourned at 2:40 p.m.