Day Boat Alaska Class Ferry Report for MTAB

Project Name: Day Boat ACF	Month Ending: 11/16/2016
Project Number: 73073	Last report was two weeks ago
	File: 0130-03

PROJECT STATUS

AMHS Items

- Conduct construction inspections for steel, pipe pressure test, paint surface prep, millage and conditions.
- Deal with day to day detailed design issues & questions. Working with the shipyard has been a good cooperative effort.
- Review 3D model and drawings carefully to find or avoid future problems before those sections are under construction.
- Attend production and planning meetings with the shipyard teams.
- Meet with ABS and USCG representatives when they are on site.
- Elliott Bay Design Group (EBDG) has assisted with reviewing technical questions, review calculations, drawing clarification, electrical and structural questions as needed.

- EBDG are revising the structural drawings based on the detail design developed for the car doors. This information was not available during the design work. Once completed EBDG will submit our revised contract drawings to ABS for review.
- There have been 28 Owner requested changes funded by the contingency fund to date. These are owner requested changes or changes required by the regulatory agencies. Total Contingencies to date amount to $647k which is less than 1% of the contract.

Vigor Alaska Items

- There are currently 94 people assigned to the project, excluding management personnel.
- The yard has the front half of the 1st ship assembled with the structural welding, piping, electrical, doors and windows installed. The front half will be moving out of the assembly hall at the end of this week.
- The yard has 4 of the 9 modules that make the aft half of the ship constructed in various stages. The assembly of the aft half of the ship will start immediately after the front half is moved out of the building. With these four modules assembled, the aft half should start taking shape rather quickly.
- The quality of the work and safety on this project has been very good.
- The assembly hall in the Ketchikan Shipyard is a huge asset to this project.

Potential Problem Areas

- 36% of the contract amount with the shipyard has been paid to date, but 52% of the contract project duration has elapsed.
- The current schedule shows the second vessel being delivered four and a half (4-1/2) months late. The shipyard is working on breaking down the schedule to every detail for the remainder of the project to predict completion date and see where they can improve the schedule.

Doug Miller, AMHS Project
Manager, 11/16/2016

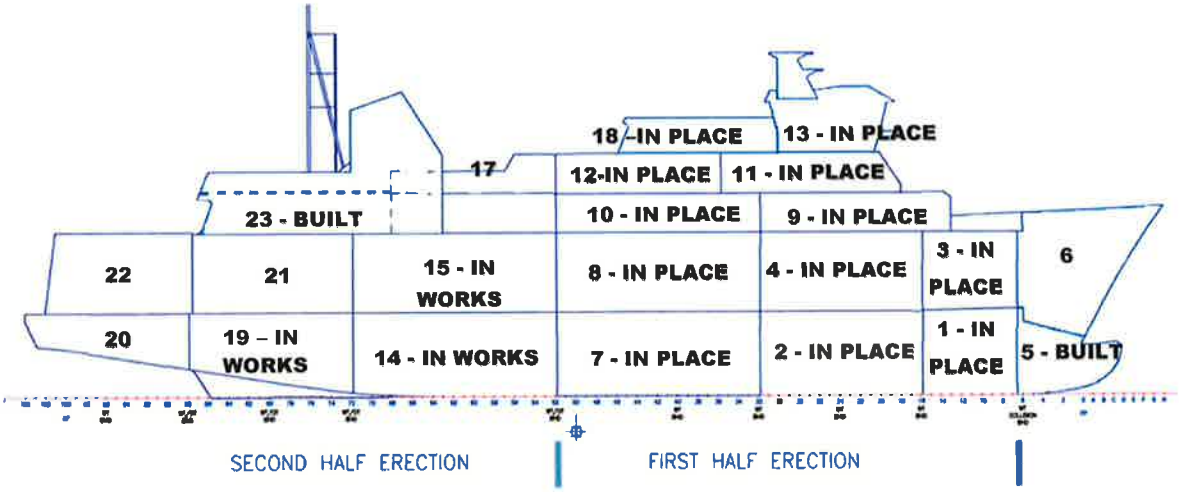
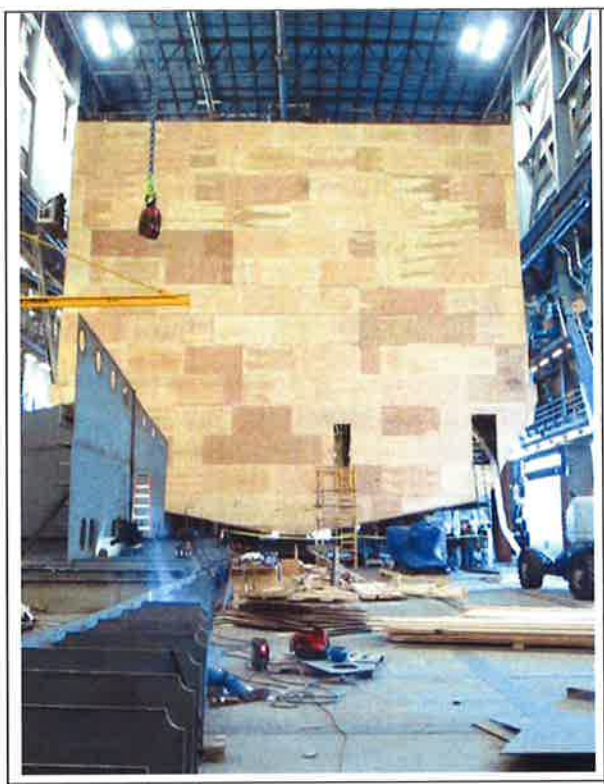


Figure 1 Ferry Module Arrangement



Aft side protections for weather

Front side protections with door for equipment.

Setting the pilothouse on Nov. 1st.

Piping in the engine room module for aft half.

AMHS GOVERNANCE STUDY

Phase 1 Final Draft Report

Prepared for: Southeast Conference • Juneau, AK

Ref: 16086-001-030-0 Rev. - November 11, 2016

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NOTES

Cover photo courtesy of Alaska Floats My Boat.

EXECUTIVE SUMMARY

Project Overview

Phase One of the AMHS Strategic Operational and Business Plan was developed by Elliott Bay Design Group (EBDG) and McDowell Group. The study identified alternative governance structures that could help the Alaska Marine Highway System (AMHS) achieve financial sustainability. This statewide effort was managed by Southeast Conference and guided by a 12-member steering committee of stakeholders from across Alaska.

Project tasks included a high-level examination of six basic ferry governance models to assess their suitability for Alaska's unique geography, markets, and transportation needs. More detailed case studies were conducted with three ferry systems to identify ideas and lessons applicable to AMHS: British Columbia Ferry System, Steamship Authority (Massachusetts), and CalMac Ferries (Scotland). The study also included review of relevant AMHS reports and interviews with key AMHS contacts including senior management and union representatives.

The project incorporated extensive public involvement including convening a Statewide Marine Transportation Summit, solicitation of feedback through the project website, outreach to municipal governments and trade organizations throughout Alaska, and a presentation and discussion at Southeast Conference Annual Meeting.

Key findings are summarized below.

Role of Alaska Marine Highway System

For more than 50 years, AMHS has served a critical infrastructure need for Alaska residents, communities, industries, and public services.

- In 2014, AMHS carried 319,000 passengers, 108,000 vehicles, and nearly 4,000 container vans.
- The ferry system plays an integral role in Alaska's visitor industry, carrying more than 100,000 non-resident passengers annually. Anchorage continues to be the top Alaska destination for visitors traveling on the ferry.
- AMHS accounted for 1,700 Alaska jobs and $104 million in Alaska wages and benefits in 2014. AMHS residents reside in 44 different Alaska communities.
- It also contributes to a wide variety of businesses and resident activity. AMHS spent $84 million with over 500 Alaska businesses to support operations.

Limitations of the Existing Governance System

There was a high degree of consistency in opinions offered by employees, management, State officials, key user groups, and members of the public about the current operating structure and health of the system. Limitations resulting from the existing governance system affect financial performance, functionality of the system, employee morale, and public ridership and support.

- Schedule instability caused by annual funding uncertainty and fluctuations is further compounded by the very diverse and aging fleet.

- A stable funding source is needed to create schedule stability, system resilience, and long-term planning for capital projects.
- Management is subject to political influence and frequent turnover in key leadership positions.
- AMHS management must be given the authority and responsibility to plan long range projects and address financial issues.
- Direct negotiations between AMHS and employee unions can enhance communications and improve organizational efficiency.
- A succinct and memorable mission statement can unite and guide the organization.

Recommended Governance Model

The project team conducted a high-level analysis of six governance models for their applicability to AMHS. The team examined examples of ferry systems that utilize each governance model, strengths, weaknesses, and suitability for AMHS given Alaska's unique operating environment.

Three governance models were selected for detailed analyses, with an emphasis on how they could aid AMHS in addressing the limitations and challenges that it currently faces. The project team recommends the following governance actions:

- Create a Public Corporation. Advantages of transitioning AMHS to a public corporation include a businesslike approach to running the system and the inclusion of private sector expertise, leadership and accountability. This model has the greatest degree of support and suitability, although it will take additional time and resources to explore the operational details, establish the legislative framework, and transition to the new structure.
- Continue State Ownership of Assets. State ownership of the assets (terminals, vessels, and support facilities) allows continued access to federal and state funding for capital and maintenance expenses. The State can coordinate the AMHS capital requirements with other transportation projects through the Alaska Statewide Transportation Improvement Program.
- Interim Enhancement as Line Agency of State Government. Until the Public Corporation has been established, AMHS would benefit financially by some key changes to its role as a Line Agency. The recommended changes include forward funding for predictability of service levels, direct control over labor negotiations, and increasing use of revenue management tools.

Based on these findings, recommendations for Phase Two of the Strategic Operational and Business Plan Development represent a substantial effort and include:

- a thorough financial review of operations.
- an assessment of funding sources and cost saving measures.
- an optimization of potential fleet standardization, ferry schedules and management processes.

PROPOSED VISION, MISSION, AND VALUES

These guiding principles were developed by the project steering committee and reflect public input at the Marine Transportation Summit and Southeast Conference Annual meeting as well as information learned through the project case studies.

Vision

To be the preeminent marine travel experience that exceeds the expectations of the communities and users we serve, while connecting with other intermodal components of State, federal and international transportation systems.

Mission

Deliver safe, reliable, and sustainable marine transportation for Alaska residents, visitors, and our commercial customers.

Values

Safety

Safety is our top priority in all aspects of providing marine transportation.

Excellence

Personal and organizational commitment to deliver excellence through continuously improving operations, vessels, facilities, and guest experiences.

Integrity and Respect

Ensure honesty, dependability, loyalty and a high ethical standard with a positive regard for customers, investors, stakeholders, and colleagues.

Partnerships

Manage operations in a fiscally responsible manner with our various business, employee, and community stakeholders to advance each other's interests, create partnerships, and lower user costs.

Teamwork

Operate as a cohesive team through honest, respectful, and trusting interactions to ensure the organization's viability with the goal that our employees' professional expertise is developed, maintained, and relied upon to the fullest extent possible.