

Marine Transportation Advisory Board  
Robert B. Atwood Building, Anchorage, AK  
Minutes 7.16.2019

**Participants:** Robert Venables, Shannon Adamson, Pat Branson, Patti Mackey, Kerin Kramer, Robb Arnold, Norm Carson, Greg Wakefield, Carlin Enlow, Ernie Weiss

**Absent:** Jack Jensen and Gerry Hope

**DOT&PF:** Deputy Commissioner Mary Siroky, Captain Falvey, Matt McLaren

**Online:** Josh Howes, Doug Griffin, Sylvia Lange, Dennis Watson, Dave Kensinger, Dan Kelley, John Waterhouse, Michael Anderson, Margret Freidenauer, Jan Hill, Lee Parker, Elizabeth Bowling, Dave Porter, Chere Klein, Dana, Andrea Deppner, Representative Sara Hannan, Greg Smith (staff for Rep. Andi Story), and others.

**Public:** Harold Squartsoff, Susan Bell, Trina Arnold, Marina Secchitano, Marcus Hartley, Representative Ortiz, Rob Fix (Port of Bellingham), Wolfgang Junge, Wanetta Ayers, former Gov. Frank Murkowski and others.

**Approval of Agenda: Motion:** Shannon Adamson makes the motion to approve, Pat Branson seconds. Approved unanimously.

**Approval Minutes:** Shannon Adamson motioned for approval, and Patti Mackey second.

**Public Comments:**

**Former Governor Frank Murkowski:**

Former Governor Frank Murkowski spoke to the board about his thoughts on what should happen with the Alaska Marine Highway System (AMHS). Mr. Murkowski started by giving a brief history of how AMHS first started, and then talked about how the Roadless Rule happened under the Clinton Administration. This has hampered the building of road segments that would develop transportation corridors. More dayboats and terminals are needed.

Mr. Murkowski stated that the State of Alaska has put a burden on the Commissioners of the Department of Transportation and Public Facilities (DOT&PF) to run the highways, airports, and the sophisticated AMHS. Mr. Murkowski strongly suggests the board to add two recommendations to DOT&PF. The first recommendation that he suggests, is to move AMHS out from DOT (referenced the Spaulding Report). The second suggestion is to consider the move of the northern terminus from Auke Bay terminal, so that the 2 new ferries (Tazlina and the Hubbard) can be used for what they were built for (day boats). He also emphasized the value of tourism marketing at trade shows (especially for Recreational vehicles).

**Public:**

Mr. Squartsoff commented on the fears in the villages, regarding the fall, winter, and spring draft AMHS schedule. He stated that there is anxiety regarding the Tustumena, and the future of the Tustumena. The current drafted AMHS schedule, shows no ferry service during mid-January through the month of July. Ouzinkie and Port Lions both have many elders, and others that have difficulties getting into planes and depend on the ferry.

Representative Ortiz spoke to the board regarding House Bill (HB) 2001, that addresses the question of the Permanent Fund Dividend (PFD), and other fiscal matters. As drafted now, the bill restores all the funds that the Governor had vetoed (including provisions that impacts AMHS, i.e. funds swept at the end of the fiscal year). When the Governor announced his sweep list, that list included the AMHS operation funds and it included the state's contribution to the replacement monies for the Tustumena. Those monies will technically be gone, if the legislature doesn't do the reserve sweep. The board asked if there was a timeframe to any resolution. Representative Ortiz answered that he isn't aware of a specific date. But ideally they would like to resolve this by the end of the special session. (Early August 2019).

### **Budget Update:**

Deputy Commissioner Mary Siroky spoke with the board regarding the AMHS Fiscal Year (FY) 2020 budget. Ms. Siroky first clarified that the capital budget includes \$70 million dollars for DOT&PF to match the federal highway and federal administration money. The department's current projects are not being impacted by not having the FY2020 match. Second, the DOT&PF's concern levels raises as times goes on, but the department is not in a position to lose federal funds in the next short while. DOT&PF can make it through July and August. As the department moves into September, and if the capital budget doesn't pass by then. That's when DOT&PF's concern levels will be high.

Ms. Siroky stated that the current operated budget for AMHS is not impacted by the Governor's vetoes. The operating budget for the AMHS is \$99.6 million dollars, which is a 4.6 million dollar reduction. Ms. Siroky said that this is a huge reduction for AMHS, and she believes an important part of getting to this point in the budget negotiations, was that DOT&PF fundamentally changed how AMHS is to operate. Ms. Siroky stated that the Legislatures took the Alaska Marine Highway System from focusing on services, to a system that now has to rely on a longer extent of revenue. This is what AMHS had to keep in mind, as they put together the proposed fall, winter, and spring schedule. Captain Falvey and Matt McLaren had to look at which runs were receiving the most amount of revenue, and see how they can use that revenue to subsidize the runs that don't generate a lot of revenue for the ferry system. This was a challenge for them, to base the runs off of revenue.

There were a few questions regarding the AMHS budget, which is affecting the schedule of AMHS. Board members, and the public talked about gaps in services between certain communities. Deputy Commissioner Siroky asked the board to recognize the difficulty in which the AMHS is operating at. She stated that with a \$44 million dollar reduction from the Legislatures, Alaskans will see a reduction in services, and there is no way around it. The \$44 million dollar reduction to AMHS is going to be life altering. It's a third of the budget, and Ms. Siroky said that AMHS is also looking at substantial reductions to their headquarters as well.

Board Member Robert Arnold had the impression that the Federal Highway Administration (FHWA) has clause in the AMHS operation. Deputy Commissioner Siroky made it known that the FHWA does not pay for the operations of the ferries. FHWA can only pay for construction of transportation infrastructure. She gave an example that FHWA cannot pay to get roads snow plowed in the winter, or sand swiped up in the summer. Ms. Siroky said that's the responsibly of the entities that is operating those. (which is DOT&PF). Mr. Arnold wanted to know if DOT&PF has reached out to FHWA to help out. Deputy Commissioner Siroky stated again that FHWA cannot pay for DOT&PF operations.

There were also questions if there are any construction plans for maintaining the facilities, and how many positions will be laid off. The department responded that they did budget for the maintenance of the AMHS vessels, and they also have the capital budget, which helps with the construction, maintenance of the vessels and the facilities. DOT&PF stated that all they can say at this point with positions, is that there will be a significant number. They are currently working with personnel on this topic.

**Ad Hoc Advisory Board:**

Deputy Commissioner Siroky spoke to the board, regarding Commissioner MacKinnon's start of an Ad Hoc Committee, for DOT&PF. DC Siroky stated that the Commissioner has recognized that the department and the state has become very module focused. Commissioner MacKinnon's idea is to put together an Ad Hoc Committee with the Chair and a couple of members from each advisory board, to come together and start talking about DOT&PF as a whole. The Commissioner hopes to start the Ad Hoc Committee late this summer or early fall.

**Proposed Fall, Winter, and Spring Schedule Discussion:**

There was questions from the board on how the fall, winter, and spring AMHS schedule came about, and questions from the public regarding the gaps of service. Captain Falvey echoed what Deputy Commissioner Siroky had said earlier, which was that AMHS received a \$44 million dollar cut. That was the driving force that led to the draft schedule. Board member Branson had asked for clarification on what Deputy Commissioner Siroky meant, when she said how DOT&PF are using routes that generates revenue, to cover for other routes. Mr. McLaren gave an example of the Bellingham route. He mentioned that the Bellingham route in the winter, generates the most revenue, which will be used to operate other ferries to service the communities in Alaska. Ms. Branson made a point to Captain Falvey, and Mr. McLaren that it would be helpful for the department to include the rationale (to how and why the schedule was made the way it is) on the draft schedule, so that the department can defend it, and be able to inform the people.

There were also public comments regarding the community and school events. Captain Falvey answered that any events that will be happening should be submitted to the AMHS schedules (directed to the email on the AMHS webpage). AMHS will try their best to work with the events, but can't promise that all community and school events will be fit into the schedule, due to the \$44 million dollar budget cut. He also stated that AMHS is going to relook at the schedule, but they can't make any promise on closing the gaps of service.

**AMHS Updates:**

Captain Falvey provided the board with a written update of AMHS. For a full report on AMHS updates, please go to the Marine Transportation Advisory Board's webpage, and look under the agenda/minutes section. [http://www.dot.state.ak.us/mtab/agendas\\_minutes.shtml](http://www.dot.state.ak.us/mtab/agendas_minutes.shtml).

Board member Shannon Adamson asked if the new reservation system is going online, and whether the handheld scanners are working. Captain Falvey answered, saying that the department is making great strides to get the handheld scanners to work. The department is currently are working with their contractors to get them fixed.

Chair Robert Venables introduced the "AMHS Reservation System Limitations" memo (attached) in the board packet and asked Susan Bell (McDowell Group) to talk to the board and DOT&PF staff of why collecting passenger origin data is important. Ms. Bell stated that the data would be able to help answer questions from the legislatures, and from the Administration and would be essential for economic impact studies and understanding the market. Mr. Venables made the point that having a better data collection, will allow AMHS to manage our fare box recover better.

Board member Patti Mackey urges and recommends DOT&PF to collect country origins. Ms. Mackey doesn't know what the issue is that is preventing AMHS from collecting this data. Captain Falvey answered, saying it is a policy issues. He also stated that customers don't like it, because it invades their privacy. Principals from another consulting firm in the audience confirmed this data is critical to collect.

**The board decided to make a recommendation to DOT&PF, to reinstitute the collecting of country origins and zip code, at the time of purchase.**

Patti Mackey made the motion to approve, Greg Wakefield second. **Passed unanimously.**

There was question regarding the Tustumena Replacement Vessel project, and if it is still on track, or if it is on hold, because of the budget difficulties? DOT&PF responded that the project is currently on hold until Northern Economics finishes their report. (Report should come towards the end of October).

#### **Cost Cutting Measures:**

Board member Robert Venables included 2 letters in the meeting packet. One was from the First Things First Foundation; the second letter came from Dennis Watson (representing the statewide AMHS Reform initiative and Southeast Conference. Both letters are asking DOT&PF to start making cost saving actions, and not wait until Northern Economics report comes out. The board discussed the memo, struck one item from the list and endorsed passing the memo to AMHS/DOT&PF for cost cutting measure considerations (attached). Those ideas included adding freight as a service option, possibly adjusting (seasonally) the amount of Certification of Inspections (COIs), downsizing crew levels, raising the prices of the cabins during the summer season, and reducing the cafeteria costs. Board Member Arnold stated that there is a written document with ideas for cost cutting measures that has not been shared with AMHS leadership. Captain Falvey said would be happy to see it, so they can see other options for saving the department money **(MTAB also requested IBU send the board a copy of the document).**

Captain Falvey also informed the board that the Coastguard sets the requirements for the amount of crew that can be on each vessel. When looking at downsizing crew levels on vessels, AMHS must be very careful and think about how many crew is needed, if the people would need to evacuate the ship, put out a fire, or respond to any other type of emergency. Captain Falvey mentioned that he had met with the Masters, Mates and Pilots (MM&P) union president, regarding crew levels. He also said he is willing to sit down with all three unions (MM&P, Inlandboatmen's Union, and Marine Engineers Beneficial Association Union), to talk about this subject.

Deputy Commissioner Siroky made a statement regarding the freight service recommendation. Ms. Siroky made it clear that the state is not in the business to compete with the private sector. She mentioned that everyone must recognize that times has changed, and the amount of freight operators coming into Juneau and Southeast, has changed with the last decade. The Administration would like the private sector to pick up some of those responsibilities. Captain Falvey also added that hauling freight gets complicated with vehicles that are on the ferries, and mentioned that AMHS has had disputes in the past.

After discussion, the **board recommends:**

- 1. AMHS to meet with the 3 unions to discuss cost saving measures and raising revenue.**
- 2. That KCO meet with BC Ferries to resolve Prince Rupert service issues.**
- 3. Recommends DOT&PF consider moving toward a dynamic pricing policy.**

**The motion passed unanimously.**

#### **AMHS Reform Update:**

Susan Bell (McDowell Group), quickly updated the board on the AMHS Reform. Ms. Bell provided the board with a memo of the draft AMHS Reform: Interim Measures that they had discussed from the steering committee's last meeting in December 2018. Ms. Bell briefly touched on each measure. She brought the draft memo for board members to Identify what's relevant, what should be flushed out, and what should be added. Southeast Conference will update the memo and then distribute. You can find a

copy of the draft Interim Measures on the MTAB's webpage. Please click on the provided link, or copy the link and paste it in your URL. [http://www.dot.state.ak.us/mtab/agendas\\_minutes.shtml](http://www.dot.state.ak.us/mtab/agendas_minutes.shtml).

**Northern Economics:**

Marcus Hartley and Michael Fisher from Northern Economics, came to the meeting to introduce themselves, and to inform the board on what their scope of work is for DOT&PF. Their main goal is to provide DOT&PF a report that will be created from data, that they are currently seeking and collecting. The data will help them come up with a variety of concepts and scenarios, which will be provided to DOT&PF towards the end of October, 2019. What Northern Economics heard from the board today, is important to them. They say it will contribute to their efforts, and help DOT&PF make their decisions based on their report. There was question from the board on if Northern Economics will travel to each community, and if they have connected with the McDowell group. Northern Economics stated that they will not be traveling to every community, but they have sent out invitations to mayors of the communities, to hear feedback from them regarding AMHS. They also haven't connected with the McDowell group, but they have been reviewing their documents that are published online. Member of the public asked if they are going to account the impacts of the citizens, into their report. Northern Economics informed everyone that because of the reduced budget, the report will be driven by economics. Deputy Commissioner Siroky made a comment that Alaska has changed since AMHS has first started. She said people can now fly in a day for work, and more roads have been built to connect communities. We must all understand that the Transportation system has changed, and that AMHS has not changed with it.

**Board Comments:**

Robert Venables: Mentioned that he attended the Alaska General Contractors convention last year and said that he sees the value of the 3 advisory boards working more closely together on transportation issues. Mr. Venables is looking forward to the ad hoc committee being created and utilized.

Greg Wakefield: Appreciated everyone being here and said it has been an enlightening day. Hopes that DOT&PF will work on more long-term planning, and look at the communities that are outside of the highway system.

Ernie Wiess: Thanked those for who attended.

Kerin Kramer: Would like DOT&PF to reconsider the gap of service for Cordova. She mentioned that the community does have an airport, but it doesn't mean they can get in and out.

Robert Arnold: stated that what he has heard today sounds bad. But he believes that something good can come out of something bad. He mentions that we need to find out how we can do more with less and stated that he has hope that the legislature will bring more money to AMHS.

Shannon Adamson: Looks forward to the opportunity to work with AMHS, and to create positive solutions.

Patti Mackey: Ms. Mackey stated that there is a lot to think about, and whatever form AMHS is going to take down the road, it will be interesting to see how it will be shaped to meet future needs. Ms. Mackey also mentioned that her term on the board is coming up. She thanked everything for the opportunity to be on the board, and hopes that she will be reappointed to the board.

Pat Branson: Ms. Branson hopes that with this major budget cut, DOT&PF will institute the changes in phases, not dramatic abrupt losses of service without opportunity to plan for the changes. She also mentions that this is an opportunity to look at the scenarios and sustain this service in a way that is feasible.

Carlin Enlow: Looks forward to having questions answered for communities in the chain who feel like they will never see a ferry again, and hopes to see the clearing up of rumors.

**Next Meeting:** November 2019 or on the release of the Northern Economics report.

**Adjourn**