



RECAP

Reshaping Work Group July 8 Meeting

Governor's Charge

Purpose

- **The Work Group shall make recommendations on the future finances and service levels of the Alaska Marine Highway System (AMHS).**

Duties

- **The Work Group will consider the analysis and data in the Alaska Marine Highway System Economic Reshaping Report (January 15, 2020), current and past service levels, travel demand, cost of service, regional economic importance, labor contracts, current and potential service providers, and other available information.**
- **The Work Group will define the future needs and purpose of the AMHS, with the goal to ensure residents have access to essential transportation services among Alaskan coastal communities.**
- **Recommendations from the Work Group may include ports of call; levels of service; tariffs; contracting options; fleet size, type, maintenance, and replacement; governance and labor contract requirements.**

Strategic Objectives

- **RELIABILITY-** dependability often more critical than service frequency to coastal community residents and businesses, seasonal aspects acknowledged, better overall understanding of core tribal and community economic and social transportation needs versus wants desirable.
- **INTEGRATED TRANSPORTATION FUNCTIONALITY-** system transportation infrastructure economic driver, connection for coastal communities to roads and airports, mainland road system and other Alaska communities, able to move passengers and freight, emphasis on needs of Alaskan coastal communities not tourism per se. Improving ferry system integration and communication with ports and communities helpful.
- **GOVERNANCE MODEL-** status quo suboptimal for responsive and financially accountable marine highway system, empowered board or state corporation, consistent recommendation of prior studies. Multiple reshaping options available to consider, adequate decision authority and practicality critical to success.
- **STABLE FINANCIAL MODEL-** ferry system needs stable, clear and consistent budget goals that management can plan and work to, revenue sources, the financial goals, options and limits clearly identified and generally predictable

Strategic Objectives(Cont)

- **EFFICIENT AND EFFECTIVE BUSINESS PROCESSES** – System operating cost and reliability critical factors, business practices should be designed and managed for effective and efficient management and service delivery, inefficient or ineffective practices should be changed or eliminated.
- **CAPITAL ASSETS MATCHED TO LONG TERM SYSTEM NEEDS** – Current aging fleet not matched to current operating needs, limited agility/adaptability for changing needs. Forward looking adjustment and transition plan for more efficient, flexible, tailored to core services and safety requirements using ferries and/or private ferry services. Consider private sector partnerships and local authorities to operate system pieces.
- **SIMPLIFY** – current fleet age, design, lines of service mix, crewing, contracts, contracting procedures, maintenance procedures and federal and state regulatory requirements add significant and costly operational and management process complexity. Simplify wherever possible.
- **PEOPLE**- people operating and managing the AMHS are a source of professional expertise, they understand cost drivers, may be able to help identify smart changes, operating success depends on them, leverage their knowledge, discuss changes with them.

Strategic Objectives(cont)

- **GENERAL: Need for focus on deliverables that can be implemented; over many years many good recommendations made but few acted on. We have an opportunity to help break that pattern for the benefit of Alaskans if we can identify a practical reshaping plan with detailed implementation steps that can be used if our recommendations are adopted.**
- **The work group highlighted the need for change to streamline and improve system- some ideas noted:**
- **Forward looking 5-year rolling budget model to enable managers to better manage budget**
- **Two week on-two week off vessel operating model**
- **Improved transparency around major asset maintenance**
- **Governance model changes that are quickly implemented by Governor (speed up change)**
- **Remove AMHS from Executive Budget Act constraints**
- **Contract out life-cycle system maintenance**
- **Dynamic Pricing**

Focus Today

- **Priority Issues**
- **More Stable financial/budget processes**
- **Governance structure**
- **Personnel and labor**
- **Effective business processes**
- **Capital asset match to community service requirements**
- **Operating reliability**
- **The group identified sustainable budget processes and governance as potentially the most impactful issue priorities**

More Governance Perspective

- **GOVERNANCE MODEL-** status quo suboptimal for responsive and financially accountable marine highway system, empowered board or state corporation, consistent recommendation of prior studies. Multiple reshaping options available to consider, adequate decision authority and practicality critical to success.
 - Inconsistency between changing administrations has been a hindrance.
 - Public corporation models available to look at for examples.
 - Suggested an established formula for funding to be able to plan.
 - Need a dependable budget.
 - New governance structure that is non-political-professionally knowledgeable of marine transportation system operations and business economics
 - Implementation path forward

More Budget Perspective

- **STABLE FINANCIAL MODEL-** ferry system needs stable, clear and consistent budget goals that management can plan and work to, revenue sources, the financial goals, options and limits clearly identified and generally predictable
 - **Forward capital funding**
 - **Long term solutions to the system that provide stability**
 - **Optimize funding options**
 - **Outreach other sources available**