



Alaska Department of Transportation & Public Facilities

House Transportation Committee

Alaska Marine Highway System

Rob Carpenter, Deputy Commissioner
Matt McLaren, AMHS Business Enterprise & Development Mgr.

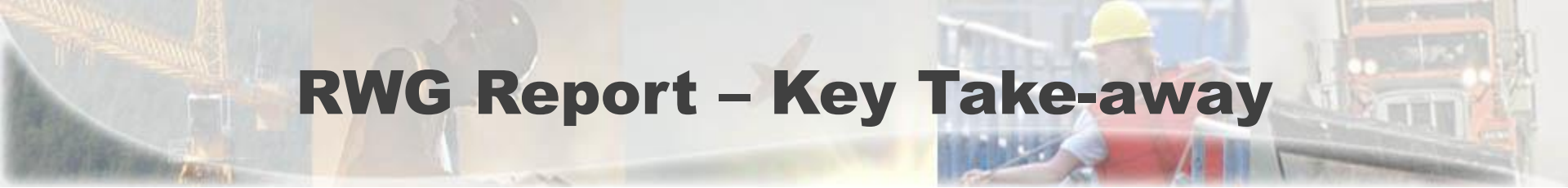
March 18, 2021

Our mission is to ***Keep Alaska Moving*** through service and infrastructure.



Reshaping Workgroup (RWG)

- **Established in January 2020**
- **Purpose:** “..shall make recommendations on the future finances and service levels” of AMHS
- **Consider** analysis in the AMHS Economic Reshaping Report
- **Duties:** “...will define the future needs and purpose of AMHS, with the goal to **ensure residents have access to essential transportation services** among Alaskan coastal communities”
- Presented report to the Governor on October 2nd



RWG Report – Key Take-away

Page five, paragraph two (Introduction):

“....today the system operates an aging ferry fleet that is costly to maintain and operate, poorly matched to ferry route needs, with limited flexibility to adjust to changing circumstances.”



RWG Report – Underlying Themes

- **Value and Importance of AMHS to coastal communities and the state as a whole**
- **Improving reliability**
- **Reducing costs and raising revenue**
- **Stabilizing budgets**
- **Strengthening governance**
- **Improving short and long-term planning**



RWG Recommendations

- **Strengthen Governance**
- **Improve Reliability**
- **Stabilize Budget Planning**
- **Reduce System Costs**
- **Renegotiate Union Labor Agreements**
- **Increase Revenue**
- **Leverage Road Infrastructure**

Addressing the RWG Recommendations

- **Steps underway**
- **Steps working with Legislature**
- **Steps working with the new (to be established) “Operation and Planning Board”**



Underway

IMPROVE RELIABILITY

Tustumena replacement vessel (TRV)

- \$8.6m Federal Earmark applied toward final design (60% complete)
- CMGC (Construction Manager/General Contractor)
- Construction Funding Plan TBD

IMPROVE RELIABILITY and IMPROVE FLEXIBILITY

ACF Crew Quarters

- Design 90% Complete
- Currently programmed in STIP

LEVERAGE ROADS

Cascade Point

- Working with procurement and legal counsel to ensure proper process for proceeding with Goldbelt (land-owner)



Underway – Continued

INCREASE REVENUE

Implemented Dynamic Pricing in October 2019

STABILIZE PLANNING

New dedicated planner position in Statewide Planning

- Federally funded

New organizational "change management" expert

- Federally funded

REDUCE COSTS

Union contract negotiations

- MM&P and MEBA in negotiations
- IBU Contract expires June 30, 2022

Fast Vehicle Ferries (FVFs) divested



Work w/ Legislature

STRENGTHEN GOVERNANCE

HB 134 – MTAB Restructuring legislation

- Bill introduced
- Adds marine business/ vessel experience
- Stricter reporting requirements

STABILIZE PLANNING

Conceptually supportive of forward funding

- Difficult in this Fiscal Environment
- Partial funding (July-Sept)



Work w/ the New Board

STABILIZE PLANNING

Short & Long-range Operations planning

IMPROVE RELIABILITY and REDUCE COSTS

Ongoing 10 year Capital planning including:

- Fleet Size/Design and Replacement Strategy

REDUCE COSTS

Alternative Solutions/Service Providers

Additional Leveraging of road infrastructure



"Sample" Plan Forward

- Reshaping Workgroup - "Notional Budget Goals"
 - Lower UGF by \$18-22 million over 3-4 years
- Fleet Streamlining and modernization
 - Tustumena Replacement Vessel (TRV)
 - ACF Crew Quarters
 - Retire HIGH COST Legacy Ships
 - Long-term: potential other vessel replacement (mainliner)

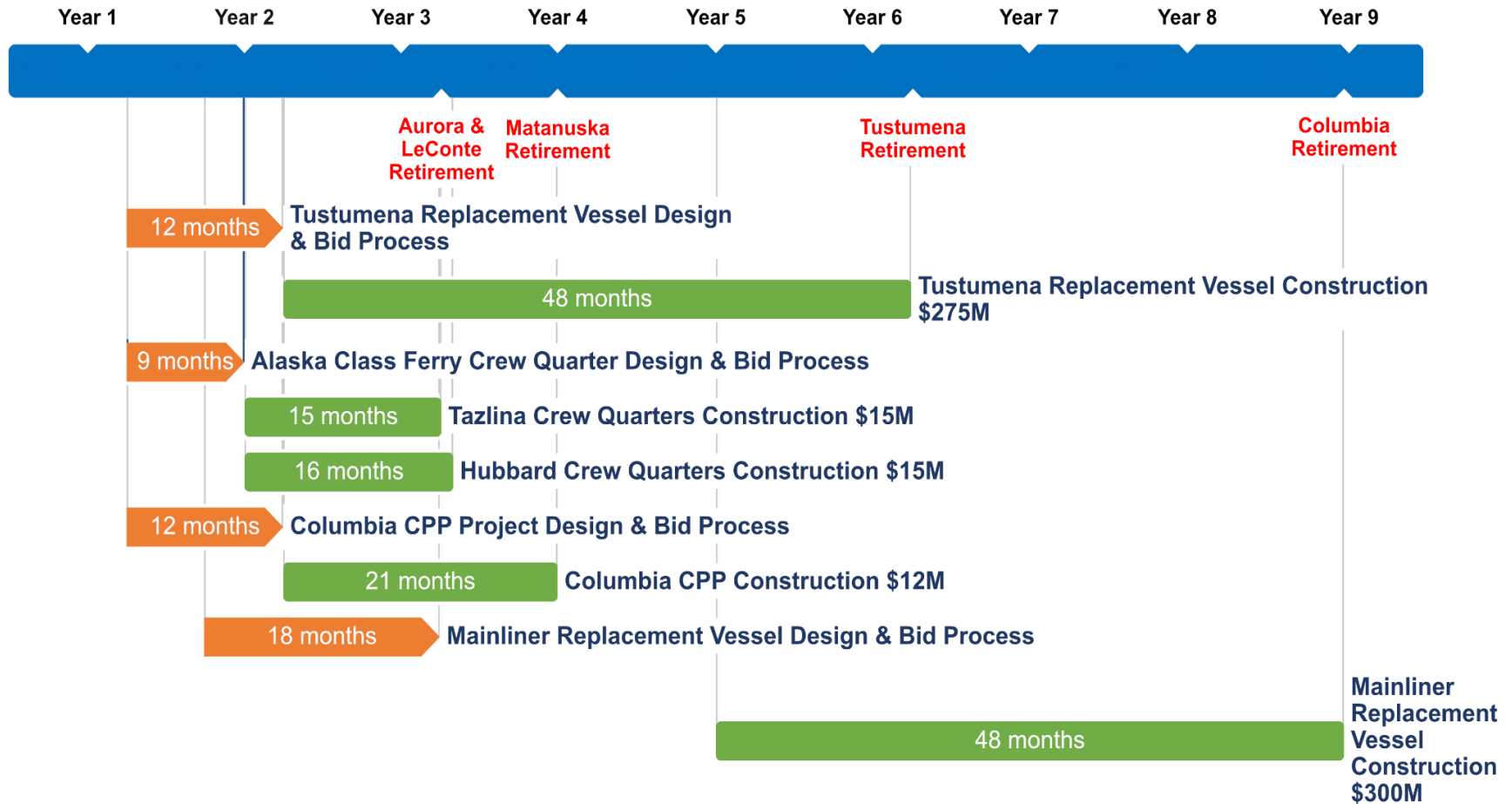
Vessel Direct Operating Costs

Vessel	Operating Cost per Week	Crew Size
Columbia – Built 1973	\$ 476K	63
Kennicott – Built 1998	\$ 420K	53
Matanuska – Built 1963	\$ 343K	49
Tustumena – Built 1969	\$ 259K	38
Aurora – Built 1977	\$ 182K	24
LeConte – Built 1974	\$ 161K	24
Tazlina – Built 2019	\$ 133K	21
Hubbard – Built 2019	\$ 133K	21
Lituya – Built 2004	\$ 21K	5
Mainliner Replacement Vessel*	\$ 270K	46
Tustumena Replacement Vessel*	\$ 245K	35
Tazlina (with Crew Quarters)	\$ 146K	24
Hubbard (with Crew Quarters)	\$ 146K	24

*Estimated weekly operating costs per week and crew size.

Hypothetical Timeline

AMHS Vessel Replacement Timeline



"Sample" Plan Fleet Streamlining

Current Vessel Fleet



- **MV Malaspina** – Year Built 1963
- **MV Matanuska** – Year Built 1963
- **MV Tustumena** – Year Built 1969
- **MV Columbia** – Year Built 1973
- **MV LeConte** – Year Built 1974
- **MV Aurora** – Year Built 1977
- **MV Kennicott** – Year Built 1998
- **MV Lituya** – Year Built 2004
- **MV Tazlina** – Year Built 2019
- **MV Hubbard** – Year Built 2020

"Legacy" Vessel Retirement



- **MV Malaspina** – Proposed sale as soon as possible
- **MV LeConte** – Proposed sale 2022
- **MV Aurora** – Proposed sale 2022
- **MV Matanuska** – Proposed sale 2023
- **MV Tustumena** – Proposed sale 2025
- **MV Columbia** – Proposed sale 2028

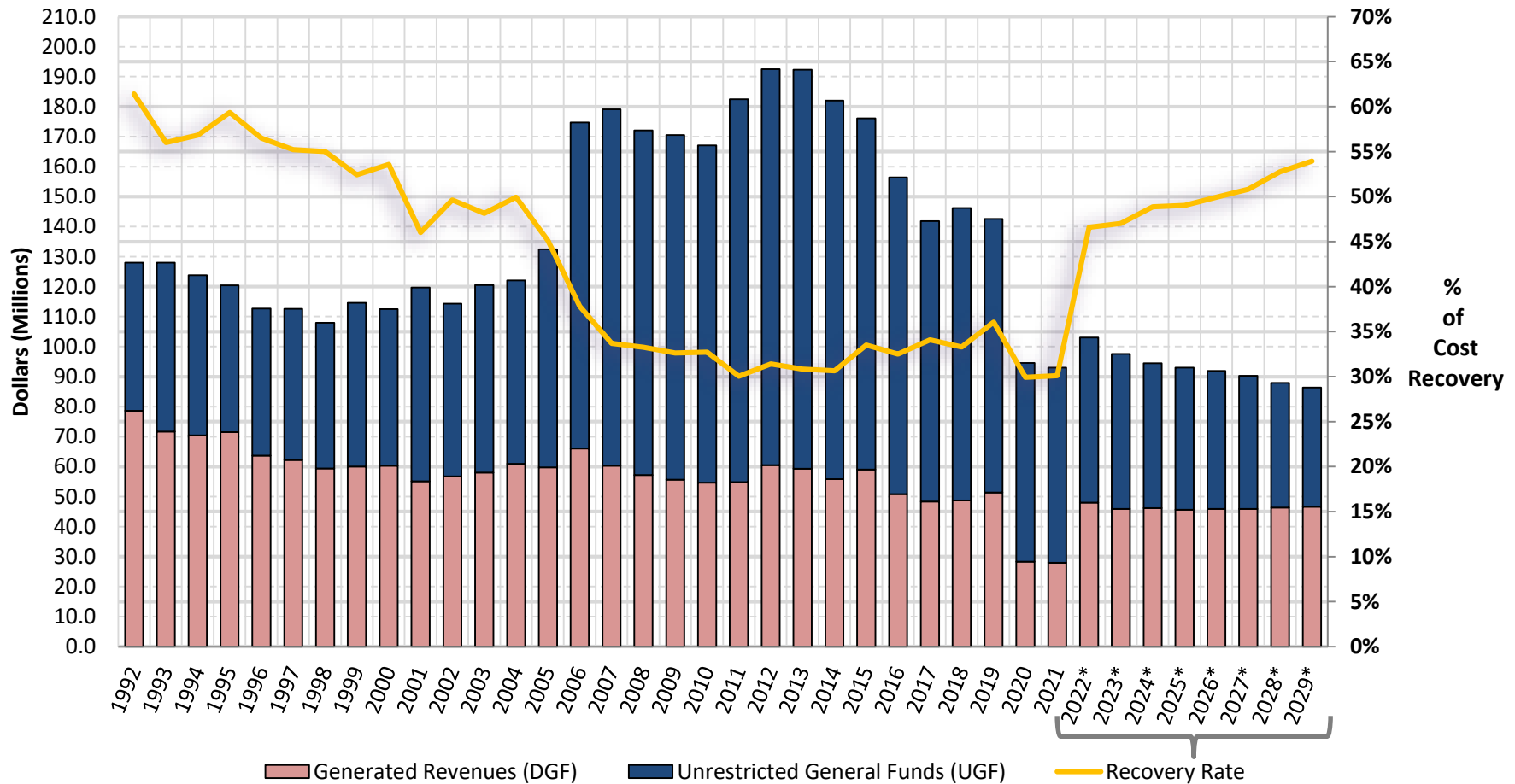
FY2029 Fleet



- **MV Kennicott** – Year Built 1998
- **MV Lituya** – Year Built 2004
- **MV Hubbard** – Year Built 2020
- **MV Tazlina** – Year Built 2019
- **Tustumena Replacement Vessel** – Year Built Estimated 2025
- **Mainliner Replacement Vessel** – Year Built Estimated 2028

Historical w/ Projected "Sample" Plan Revenue and Operating Cost

AMHS Fare Box Recovery Rate 1992 – Projected 2029*



Significant Cost Increases

- FY2004 – FY2007: Added the FVF Fairweather and FVF Chenega. Vessel wage increases of 6%, 7%, and 8%.
- FY2012 – FY2013: Added ports and increased operating weeks

*Projected with Fleet Optimization Plan. This does not include possible changes to AMHS ports, onboard services, or collective bargaining agreements.

Note: 1992 – 2020 data is adjusted for inflation to 2020 values. Source: U.S. Bureau of Labor Statistics Consumer Price Index.



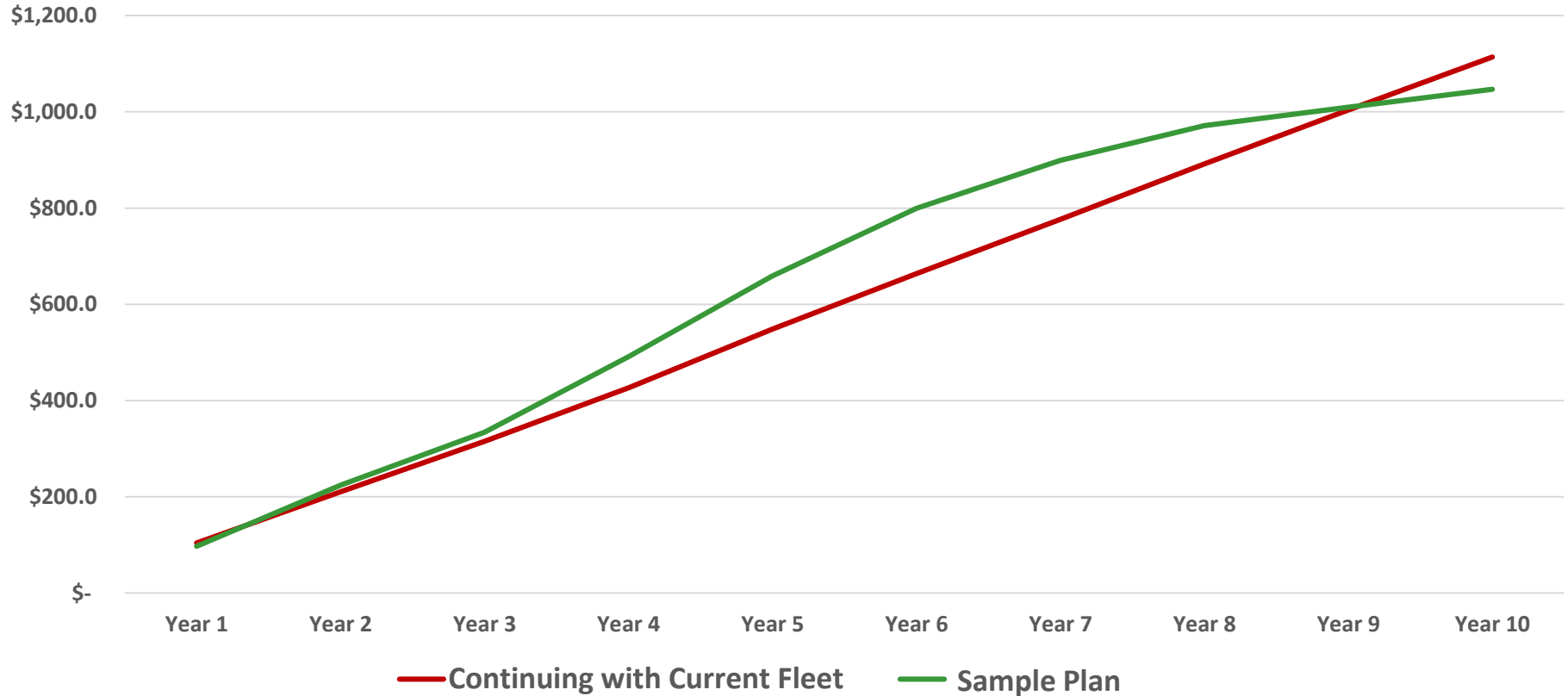
Vessel Capital Costs

(\$ in Thousands)

Vessel	Year Built	Age (Years)	FY2010 - FY2020 Average Annual COI	Total Capital \$ Last 10 years	Projected Capital \$ Next 10 years
Columbia	1973	47	2,131.1	73,909.9	158,117.6
Kennicott	1998	22	2,406.3	36,720.4	96,987.0
Matanuska	1963	57	2,143.4	77,833.4	161,304.0
Tustumena	1969	51	1,951.4	38,863.2	110,081.4
Aurora	1977	43	936.0	17,345.7	105,402.0
LeConte	1974	46	1,742.3	31,308.0	104,451.6
Tazlina	2019	1	107.8	215.5	15,000.0
Hubbard	2019	1	29.5	59.0	15,000.0
Lituya	2004	16	587.2	7,773.3	4,654.3
Taku (Sold in 2018)	1963	57	1,592.3	68,493.6	na
Malaspina (Long-term Layup - Identifying Options for Disposal)	1963	57	1,500.0	23,661.8	na
Fairweather - Currently Up for Sale	2004	16	750.0	13,601.2	na
Chenega - Currently Up for Sale	2005	15	750.0	12,519.0	na
			16,627.3	402,304.0	770,997.9

Total Net Present Value of Cumulative Costs

(projected \$ in Millions)



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Continuing with Current Fleet	\$ 104.4	\$ 211.0	\$ 315.5	\$ 426.9	\$ 548.9	\$ 664.0	\$ 776.7	\$ 891.6	\$ 1,003.7	\$ 1,113.9
Sample Plan	\$ 97.5	\$ 224.3	\$ 334.7	\$ 491.4	\$ 659.1	\$ 799.7	\$ 899.0	\$ 971.2	\$ 1,009.6	\$ 1,047.1

Thank You.

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