

**State of Alaska
FY2006 Governor's Operating Budget**

**Department of Transportation/Public Facilities
Marine Vessel Operations
Component Budget Summary**

Component: Marine Vessel Operations

Contribution to Department's Mission

Provide safe, reliable and efficient transportation of people and vehicles between Alaskan communities, Canada and Bellingham, Washington.

Core Services

The AMHS Marine Fleet Operations Component consistently meets the transportation needs of a diverse group of travelers. The multi-dimensional services offered by the AMHS, including cross-Gulf of Alaska sailings, provide a vital year round transportation link between road systems and many isolated Alaskan villages and towns. Moreover, this link allows for rapid delivery of perishable goods and products such as fresh produce and fresh Alaskan seafood. The transportation of essential construction equipment and materials plays a key role in supporting economic development. By the same token, transporting tourists to Alaskan communities injects revenue directly into local economies.

Operations services provided:

- Transport of people, goods and vehicles to and from 33 ports along 3,500 track miles from Bellingham, Washington, through Southeast Alaska, across the Gulf of Alaska to Prince William Sound and South Central Alaska, to Kodiak Island, the Alaskan peninsula and out the Aleutian Islands to Unalaska.
- Meet U.S. Coast Guard (USCG) requirements by staffing AMHS ships with 800 qualified shipboard employees.
- Provide quality service to every customer that is to become the industry standard for maritime travel.
- Certify all shipboard employees under the Standards for Training, Certification, and Watch-keeping for Seafarers (STCW) program.
- Provide system wide security as per the regulations of the Federal Maritime Transportation Security Act.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$74,430,100	Personnel:	
	Full time	598
	Part time	147
	Total	745

Key Component Challenges

Additional component issues include completing basic safety training certification and specialized training for all new designated AMHS mariners and maintaining and updating Safety Management System (SMS) required by the ISM Code. AMHS will maintain cross-Gulf of Alaska service to match growing customer demand.

Many changes are occurring in the fleet of the AMHS.

- Construction has been completed on one new fast vehicle ferry and another continues with expected delivery in 2005. Also, the new Metlakatla shuttle ferry, M/V Lituya, has been delivered, and is the first vessel in the AMHS fleet to operate under subchapter T rules. As a result of the addition of the M/V Fairweather in the Southeast and the surplus of the M/V Bartlett, the new FVF Chenega will operate in Prince William Sound starting the summer of 2005. The addition of the new ferries will require many changes in how we do business. The addition of the new ferries required many changes with new docks being built to accommodate the new vessels. Fast vehicle ferry (FVF) crews are being trained under the demanding High Speed Craft Code, which also requires very specific recertification of the operating crews.

- Security will also be a challenge going forward. New federal rules require security plans to be in place for both the vessels, and the terminals. Compliance with these new rules will require both changes to the physical terminal infrastructure, along with training for both shipboard and terminal employees.
- The move of headquarters to Ketchikan has created a degree of employee turnover.
- Department of Administration (DOA) terminated all relations with Global Star as of October 1, 2004. Global Star provided satellite phone service to all AMHS vessel bridges. We are working at getting replacement service with iridium technology.
- Fuel prices went from about 81 cents to \$1.50 per gallon.
- Alaska Supply Chain Integrators took over as the new purchasing and contracting staff on 7/1/2004. There was a time lag in this change over with many stock requests not getting filled in a timely manner, thus creating a large stock request backlog.
- The M/V Taku was scheduled to go into layup with the arrival of the M/V Fairweather, but the M/V Leconte ran aground on May 10, 2004. The M/V Taku was used to fill in for the M/V Leconte all summer running to all of the M/V Leconte ports except Pelican and Angoon. AMHS also had to hire private companies to provide service to these two communities. The M/V Fairweather lost one engine due to a manufacturer's defect and some Sitka runs were cancelled. As a result the Juneau, Haines, Juneau, Skagway, Juneau route was changed to the day boat circle route. With the M/V Leconte grounding and the M/V Fairweather engine failure some loss of service occurred to the ports of Sitka, Angoon, Tenakee, Hoonah, Pelican, Kake, Juneau, Haines, and Skagway. Reservations had many challenges in rebooking passengers on different vessels.

Significant Changes in Results to be Delivered in FY2006

The Alaska Marine Highway System (AMHS) operating plan must be developed based on anticipated system revenues, general fund subsidy and AMHS fund balance. The AMHS will continue to provide year round safe, reliable and efficient transportation of people, goods and vehicles on Alaska's Marine Highway.

Cost saving measures have been pursued aggressively to decrease the impact of transportation service provided to Alaskans and visitors to the state.

Major Component Accomplishments in 2004

- Provided 306 total operating weeks of service in SE and SW Alaska including cross-Gulf of Alaska service connecting the two systems.
- Successfully commenced operation of the FVF M/V Fairweather under the international High Speed Code, this is the first FVF to operate in the United States under this code.
- Successfully started operation of the M/V Lituya which is the first vessel in the AMHS to operate under subchapter T rules
- Successfully relocated the AMHS head quarters from Juneau to Ketchikan
- Maintained full service across the Gulf of Alaska and in Southeast with the M/V Kennicott and M/V Tustumena.
- Operated all other vessels with minimal loss of service due to breakdowns.
- Implemented the required federal MTSA security training for maritime, shoreside, and terminal personnel.
- Continued progress on the AMHS meets federal guidelines for required ferry terminal infrastructure modifications.
- Generated the highest amount of revenue in the history of the AMHS.

Statutory and Regulatory Authority

AS 19
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Contact Information

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Marine Vessel Operations Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	50,475.5	51,236.0	52,905.8
72000 Travel	678.5	448.8	448.8
73000 Services	8,552.2	7,007.6	7,007.6
74000 Commodities	16,431.1	14,067.9	14,067.9
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	76,137.3	72,760.3	74,430.1
Funding Sources:			
1007 Inter-Agency Receipts	0.4	0.0	0.0
1061 Capital Improvement Project Receipts	932.6	0.0	0.0
1076 Marine Highway System Fund	75,204.3	72,760.3	74,430.1
Funding Totals	76,137.3	72,760.3	74,430.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	44,287.8	47,150.0	44,735.0
Unrestricted Total		44,287.8	47,150.0	44,735.0
Restricted Revenues				
Interagency Receipts	51015	0.4	0.0	0.0
Capital Improvement Project Receipts	51200	932.6	0.0	0.0
Restricted Total		933.0	0.0	0.0
Total Estimated Revenues		45,220.8	47,150.0	44,735.0

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	72,760.3	72,760.3
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: MEBA	0.0	0.0	720.7	720.7
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	796.9	796.9
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	0.0	152.2	152.2
FY2006 Governor	0.0	0.0	74,430.1	74,430.1

**Marine Vessel Operations
Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2005 Management Plan	FY2006 Governor		
Full-time	598	598	Annual Salaries	217,976
Part-time	147	147	COLA	6,539
Nonpermanent	0	0	Premium Pay	27,703
			Annual Benefits	130,968
			<i>Less 0.00% Vacancy Factor</i>	(0)
			Lump Sum Premium Pay	0
Totals	745	745	Total Personal Services	383,186

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Amhs Dispatcher	0	0	2	1	3
Stock & Parts Svcs Journey II	0	0	0	2	2
Totals	0	0	2	3	5