

State of Alaska
FY2021 Governor's Operating Budget

Department of Transportation/Public Facilities
Marine Highway System
Results Delivery Unit Budget Summary

Marine Highway System Results Delivery Unit

Contribution to Department's Mission

Provide safe, secure, reliable, and efficient transportation of people, goods, and vehicles throughout Alaska and connect the state to Canada and the lower 48. Alaska Marine Highway System (AMHS) keeps Alaska moving by providing direct customer service and by operating and maintaining a wide network of infrastructure afloat and ashore.

Core Services

- Oversee the operation of ten vessels, along with two vessels in long-term layup, and 16 state-owned terminals with over 650 shipboard budgeted positions and approximately 100 shoreside employees.
- Transport people, goods, and vehicles to and from 35 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 Alaska Peninsula, and out the Aleutian Island Chain to Unalaska.
- Conduct annual fleet and terminal condition surveys to develop functional operational assessments and provide technical information necessary for long-range planning of capital improvements and maintenance.
- Operate a central reservations office and 16 state-owned ferry terminals providing shelter and booking services for nearly 250,000 passengers and 100,000 vehicles per year.
- Maintain, repair, refurbish, and upgrade vessel and terminal facilities in compliance with stringent federal and state regulations in cooperation with numerous partner agencies.

Major RDU Accomplishments in 2019

- Provided 329.1 total operating weeks of service and transported nearly 250,000 passengers and nearly 100,000 vehicles safely to their destinations while generating \$49,700.0 in revenue.
- Maintained the International Safety of Life at Sea (SOLAS) certifications required for two AMHS vessels, the M/V Matanuska and M/V Kennicott, allowing them to operate to Canadian ports.
- Successfully lobbied the United States Coast Guard to modify the latest SOLAS exemption for the M/V Malaspina to service Prince Rupert, British Columbia while the M/V Matanuska is being repowered. The waiver expired on December 30, 2019.
- Continue to fine-tune the new reservation system, especially the hand scanning of passengers on and off the ships and start the process of bringing online self-service kiosks at selected staff manned terminals.
- Complete vessel condition surveys for all operating vessels. Surveys contain the detailed condition of each ship.
- Managed state overhauls for eight vessels at Vigor Alaska LLC's Ketchikan ship repair facility.
- Continue implementing new increased tariffs and a tariff formulizing and leveling process to become more self-sustaining.
- Continue to make progress with the Matanuska repower and major conversion project at Vigor Shipyard in Portland, Oregon.
- Commenced operation of the Alaska Class Ferry M/V Tazlina as a day vessel in Northern Lynn Canal.

Key RDU Challenges

- Increasing traffic volumes, capacity utilization, and revenues to offset a greater percentage of the system's operating costs while still providing essential service.
- Due to the increasing age of the fleet, it is becoming increasingly difficult to maintain on-time and on-budget delivery of the ships during yearly capital improvement project shipyard overhauls.
- The system continues to lose vessel staff due to retirements and staff seeking other job opportunities. The reduction in the operating schedules during the winter months has also created high turnover of unlicensed vessel crew.
- Continue to provide as many operating weeks of service possible, given reduced budgets.
- Keeping vessel crews and two ships SOLAS certified for future calls at the international port of Prince Rupert, British Columbia.
- Operating changes and increased reporting requirements and costs to comply with Environmental Protection

Agency Vessel General Permits for 22 possible types of incidental vessel discharges.

- Recruitment and retention of deck officers with pilotage qualifications.
- Complying with increased environmental regulations, which include the vessels, terminal run off water permits, terminal wastewater requirements, and new requirements from the Centers for Disease Control.
- Securing a marine broker to assist with the sale of the FVF Chenega and FVF Fairweather.
- Continuing to attempt to secure a conservation easement from the Ketchikan Gateway Borough for the 20 acres of state-owned tidelands in Ward Cove, Ketchikan. The conservation easement is needed prior to any development on the tidelands.

Significant Changes in Results to be Delivered in FY2021

- Providing basic essential transportation services to the entire route structure using fewer ships and at a lower cost to stay within budgetary constraints.
- The evolution of the AMHS fleet makeup with the addition of the new Alaska Class Ferries will drive decisions on use of overhaul funds. Decisions about fleet make up and utilization will impact overhaul priorities and schedules. The layup of vessels to support operational realities will incur costs for preservation and stewardship.
- The new reservations system has been installed at all terminals. This system will be expanded to include chip and pin credit/debit card readers. Management is also in the design process for a mobile application for use on smart phones.

Contact Information
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**Marine Highway System
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2019 Actuals				FY2020 Management Plan				FY2021 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Marine Vessel Operations	100,996.6	0.0	0.0	100,996.6	70,696.2	0.0	0.0	70,696.2	74,461.7	0.0	0.0	74,461.7
Marine Vessel Fuel	19,539.7	0.0	0.0	19,539.7	12,057.2	0.0	0.0	12,057.2	12,640.3	0.0	0.0	12,640.3
Marine Engineering Overhaul	1,997.3	807.3	0.0	2,804.6	1,081.7	1,650.7	0.0	2,732.4	1,448.7	702.8	0.0	2,151.5
Reservations and Marketing	1,607.0	0.0	0.0	1,607.0	329.4	0.0	0.0	329.4	329.4	0.0	0.0	329.4
Marine Shore Operations	1,530.8	0.0	0.0	1,530.8	1,281.9	0.0	0.0	1,281.9	1,288.3	0.0	0.0	1,288.3
Vessel Operations Management	7,655.2	0.0	0.0	7,655.2	5,891.6	0.0	0.0	5,891.6	6,433.9	0.0	0.0	6,433.9
	4,095.4	100.4	0.0	4,195.8	3,106.8	271.2	0.0	3,378.0	3,252.7	146.4	0.0	3,399.1
Totals	137,422.0	907.7	0.0	138,329.7	94,444.8	1,921.9	0.0	96,366.7	99,855.0	849.2	0.0	100,704.2

Marine Highway System
Summary of RDU Budget Changes by Component
From FY2020 Management Plan to FY2021 Governor

All dollars shown in thousands

	<u>Unrestricted</u> <u>Gen (UGF)</u>	<u>Designated</u> <u>Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal</u> <u>Funds</u>	<u>Total Funds</u>
FY2020 Management Plan	46,002.2	48,442.6	1,921.9	0.0	96,366.7
Adjustments which continue current level of service:					
-Marine Vessel Operations	599.7	-481.9	0.0	0.0	117.8
-Marine Engineering	0.0	367.0	-830.5	0.0	-463.5
-Reservations and Marketing	0.0	6.4	0.0	0.0	6.4
-Marine Shore Operations	0.8	37.1	0.0	0.0	37.9
-Vessel Operations Management	0.0	145.9	2.3	0.0	148.2
Proposed budget increases:					
-Marine Vessel Operations	2,719.6	928.1	0.0	0.0	3,647.7
-Marine Vessel Fuel	583.1	0.0	0.0	0.0	583.1
-Marine Shore Operations	0.0	504.4	0.0	0.0	504.4
Proposed budget decreases:					
-Marine Engineering	0.0	0.0	-117.4	0.0	-117.4
-Vessel Operations Management	0.0	0.0	-127.1	0.0	-127.1
FY2021 Governor	49,905.4	49,949.6	849.2	0.0	100,704.2