

**Alaska Marine Highway System Vessel Overhaul, Annual Certification and Shoreside Facilities Rehabilitation**      **FY2025 Request: \$22,000,000**  
**Reference No: 30624**

**AP/AL:** Appropriation      **Project Type:** Renewal and Replacement  
**Category:** Transportation  
**Location:** Statewide      **House District:** Statewide (HD 1 - 40)  
**Impact House District:** Statewide (HD 1 - 40)      **Contact:** Dom Pannone  
**Estimated Project Dates:** 07/01/2024 - 06/30/2029      **Contact Phone:** (907)465-2956

**Brief Summary and Statement of Need:**

The Alaska Marine Highway System (AMHS) requires annual maintenance and overhaul on vessels and at terminals, particularly components or systems whose failures impact service in the short term. Annual overhaul of vessels is critically important to pass United States Coast Guard (USGS) inspections and obtain a Certificate of Inspection (COI) necessary to operate in revenue service.

| <b>Funding:</b> | <b>FY2025</b> | <b>FY2026</b> | <b>FY2027</b> | <b>FY2028</b> | <b>FY2029</b> | <b>FY2030</b> | <b>Total</b>  |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1076 Marine Hwy | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$132,000,000 |
| <b>Total:</b>   | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$22,000,000  | \$132,000,000 |

|   |   |                                       |   |   |
|---|---|---------------------------------------|---|---|
| <input type="checkbox"/> State Match Required | <input type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new | <input type="checkbox"/> Phased - underway  | <input checked="" type="checkbox"/> Ongoing |
| 0% = Minimum State Match % Required           |   | <input type="checkbox"/> Amendment    | <input type="checkbox"/> Mental Health Bill |   |

**Operating & Maintenance Costs:**

|                      | <u>Amount</u> | <u>Staff</u> |
|----------------------|---------------|--------------|
| Project Development: | 0             | 0            |
| Ongoing Operating:   | 0             | 0            |
| One-Time Startup:    | 0             | 0            |
| <b>Totals:</b>       | <b>0</b>      | <b>0</b>     |

**Prior Funding History / Additional Information:**

Sec14 Ch1 SLA2023 P93 L16 HB39 \$22,000,000  
 Sec11 Ch1 SLA2022 P93 L8 HB281 \$20,000,000  
 Sec8 Ch1 SLA2021 P79 L15 HB69 \$15,000,000  
 Sec5 Ch8 SLA2020 P67 L27 HB205 \$15,000,000  
 Sec4 Ch3 SLA2019 P15 L18 SB19 \$1,400,000  
 Sec1 Ch19 SLA2018 P10 L8 SB142 \$13,500,000  
 Sec21G Ch1 SLA2017 P24 L14 SB23 \$1,000,000  
 Sec1 Ch1 SLA2017 P8 L8 SB23 \$11,000,000  
 Sec1 Ch2 SLA2016 P7 L19 SB138 \$12,000,000  
 Sec25(d) Ch38 SLA2015 P39 L25 SB26 \$10,000,000  
 Sec1 Ch18 SLA2014 P63 L23 SB119 \$12,000,000  
 Sec1 Ch16 SLA2013 P79 L4 SB18 \$10,000,000  
 Sec1 Ch17 SLA2012 P136 L16 SB160 \$10,000,000  
 Sec7 Ch17 SLA2012 P167 L26 SB160 \$5,455,000

**Project Description/Justification:**

This project is for numerous recurring maintenance tasks and improvements to the AMHS vessels. Most of the funds requested are spent in Alaskan shipyards and with Alaskan suppliers and vendors.

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Overhaul work consists of inspection, repair, and maintenance that cannot be performed while the vessels are operating. An overhaul period of approximately six weeks is set aside every year during which each ship is in dry-dock and the scheduled work is accomplished. This work is performed in Alaskan shipyards unless combined with a Federal Highway Administration (FHWA) project competitively awarded to an out-of-state shipyard. In performing overhaul work, AMHS must meet the inspection requirements and standards of safety and seaworthiness of two entities, the American Bureau of Shipping (ABS) for steel hulled vessels, and the USCG. None of this work is discretionary. At the end of the overhaul period, the vessel must pass a demanding USCG inspection to obtain a COI. This certificate is required to operate for the next year.

In addition to the work required by ABS and the USCG, work is done that is recommended by equipment manufacturers and where AMHS port engineers determine the work to be sound equipment maintenance practices. For example, painting the hull is not required, and vessels could sail with badly deteriorated paint. However, paint protects the hull from corrosion. In the long term, the value of asset protection greatly outweighs the cost of the painting.

Overhaul work is costly. Putting a vessel into dry-dock can cost over \$20,000 base cost plus \$1,000 for each day it remains in dry-dock. Dismantling a main propulsion engine solely to permit ABS inspections requires the work of several skilled engineers for several weeks. These are costs incurred simply to enable inspections to be made and routine maintenance to be done.

A continuing source of increased costs is maintenance of newly installed systems and equipment (primarily safety related) required to be added to the vessels by the International Maritime Organization's Safety of Life at Sea (SOLAS) regulations and similar United States Code of Federal Regulations Subchapter "W" provisions. While federal funds provide the systems and equipment, State funds must be used to maintain them once installed. As vessels age, the amount and cost of required maintenance increases.

The AMHS operates steel vessels in a hostile, corrosive salt-water environment and must protect these expensive ships or they will suffer rapid deterioration of major structural components and equipment, resulting in expensive replacement costs. Ignoring these maintenance and repair requirements will result in failure to maintain ABS classification and failure to pass USCG COI examinations. Taking vessels out of classification will result in higher annual insurance rates. Without a USCG COI, AMHS cannot sail the vessels and accomplish the mission of providing safe, reliable public transportation. In the past, AMHS has often established an inventory of major main engine components that are economical to rebuild. These were used as ready spares to keep the vessels in service when a casualty occurred. More recently this practice has ceased due to a lack of funds.

This funding may also be used for terminal maintenance and repairs or equipment and component replacement and rehabilitation projects as available due to favorable bids or parts pricing.