

Questions from MTAB members for AMHS

1 Is the AMHS developing contingency plans for shutting the system down?

DOT&PF/AMHS has developed a conceptual plan for the system that adheres to the Governor's Budget as follows:

Published summer schedule remains intact through the end of August

September 1, 2019 through September 30, 2019, operate:

- Matanuska and Malaspina on their Bellingham and SE Alaska runs
- Tazlina in Northern Lynn Canal
- Lituya from Ketchikan – Annette Bay
- No service to Homer, Kodiak, Aleutian Chain, Whittier, Cordova, Valdez, Chenega Bay, Tatitlek, Yakutat, Prince Rupert, Angoon, Tenakee, Pelican, Hoonah, and Gustavus

October 1, 2019, through June 30, 2020:

- No Service

Minimal crews and shoreside staff would be retained beyond October 1, 2019, in order to keep the vessels and terminals safe and protect the State's assets. The Governor's 2/13 budget includes these costs. Given both the House and Senate have passed budgets that include funding for winter operations, no detailed layup plan for all vessels has been developed at this time.

2 If so, when will these plans be available for MTAB to review?

By statute, board meetings may be called by the chair or by a majority of the members. Typically an AMHS official presents the proposed AMHS budget and related information, including likely schedule changes, at the next MTAB meeting after the budget is released. DOT&PF will update the MTAB at their next meeting and consider any recommendations they may make. Once the operating budget is approved AMHS will publish a draft winter schedule for comment and presents it to MTAB for comment as well.

3 Can we get a copy of both consultants' submittals to the RFP? And a copy of the final contract when issued?

Yes, we are providing a copy of the contract and Northern Economics proposal (with proprietary information redacted). The MAP proposal will be provided by DOT&PF Procurement after we received a redacted copy from MAP.

4 Will the consultant determine what a base level of service looks like? By what methods?

The consultant is tasked with reviewing different options to restructure the system and will provide recommendations for the best cost saving options going forward. The consultant will review all previous studies on AMHS and do additional data gathering and analysis to develop their recommendations. The Commissioner will decide which recommendations to implement and this will determine the base level of service. The report and a draft 2020 summer schedule will be presented to MTAB for review.

5 What will the cost be to shut down the system on Oct 1 if a budget similar to the Governor's budget is approved? Please include all known costs including berthing vessels, maintain vessels, labor costs, contract obligations, preparation of vessels for sale, sales costs or commissions and any capital funds that will have to be returned to the US treasury.

Maintaining minimal crews for 24 hour watches on lines (to avoid ships coming untied in bad weather and causing damage to the ships and/or environmental issues from oil leaks), maintaining engines, laying up ten vessels (keeping six of these ships maintained and COI compliant), risk management costs, minimal dispatching of vessel employees, minimal shoreside management and support and general protection of the State assets would cost approximately \$1.5M/month. There would also be additional costs for support services such as Procurement, Human Resources, ISSD, Administrative Services, and Commissioner's Office support. No vessels other than the FVFs are proposed to be surplus before the reshaping report is available. The costs to prepare any other vessels for sale would be minimal since the vessels will be sold "as is". Any broker commissions would come out of the sales receipts. The federal share of funds received from vessels sold would not be paid to the US Treasury but rather would be used for other federal aid eligible projects in Alaska.

6 How long can employees be out of work before licensing and certifications are at risk?

The loss of sea time, federally mandated USCG safety credentials, and mandated federal licensing affects all crew. AMHS Captains and Mates are critical to vessel operations because of their federally granted navigation license (pilotage), which allows them to operate large vessels in coastal Alaska. These licensed officers must log regular sea time to keep their license current. Officers may pursue other opportunities outside of AMHS in order to maintain their licenses. As explained above, at present AMHS anticipates there will be some winter service, based on proposed legislative budgets to date.

Any replacement licensed Masters/Mates must have Alaskan pilotage by Federal Law. This law is strictly enforced by the USCG. AMHS cannot simply hire new Masters/Mates from the lower 48 as they will not have the required Alaskan pilotage and recency.

7 If the system is shut down Oct 1 and brought back up May 1 as some have suggested, what will be the startup costs?

The Governor's budget did not include funding for service commencing May 1 2020. The current House and Senate budgets provide funding for limited winter service, layup of vessels not used in the winter, and funding for increased operations starting April 1, 2020.

8 AMHS has said that if the system is shut down in October in accordance with the Governor's plan they will keep a minimum manning level on board. What will that manning level look like?

At a minimum, the on board crews will be enough to comply with MMP Rule 16.03 and 8.02, MEBA Rule 16.08(A), and IBU Rule 7.04. Some additional crewmembers will also be required to provide 24-hour watch on the lines, engine maintenance, and overall safety of the vessels. (see <http://doa.alaska.gov/dop/laborrelations/unioncontracts/>)

9 What is the actual cost per day to manage the system per boat/per week/per lane mile?

Cost Per Day for AMHS (\$000s):

FY2018 - \$389.1
FY2017 - \$369.7
FY2016 - \$397.8
FY2015 - \$440.5
FY2014 - \$454.9

The cost per day to manage the system varies from year to year depending on the mix of vessels that are available to operate each year, the routes each vessel runs, the number of operating weeks, and the frequency of service that is provided.

For FY2018, the vessel costs per mile were as follows: Aurora - \$114.41, Columbia - \$29.28, Fairweather - \$184.49, Kennicott - \$29.57, LeConte - \$110.10, Lituya - \$156.35, Malaspina - \$24.48, Tustumena - \$29.36. These costs per mile can also vary greatly from year to year per vessel depending on their routes for that fiscal year. For example, in FY2011 the cost per mile for the Fairweather was \$135, but in FY2010 it was \$298, and in FY2009 it was \$247.

In FY2018 total operating costs per vessel mile were \$49.02. FY2017 total operating costs per vessel mile were \$37.84. Please note, this is based on vessel miles only and not passenger or vehicle miles. Having to operate a more expensive vessel on a route results in a higher cost per mile. For example, due to overhauls of the Matanuska and Malaspina in FY2018, AMHS had to run the more expensive Columbia throughout the winter, resulting in a higher overall cost per vessel mile.

The costs per mile are also not reflective of the most expensive and least expensive vessels to operate. For example, the Columbia, Kennicott, Malaspina, and Tustumena are expensive to operate, but they cover long distances each day by operating 24 hours, which reduces the overall cost per mile. The Aurora, Fairweather, LeConte, and Lituya operate short routes and on a 12-hour/day schedule. The shorter routes and longer "in port" times increase the cost per mile calculation.

The average operating costs per day provide a clearer picture of the most and least expensive vessels to operate. The daily operating costs are as follows:

Columbia: \$68k/day
Kennicott: \$60k/day
Matanuska: \$49k/day
Malaspina: \$49k/day
Tustumena: \$37k/day
Aurora: \$26k/day
LeConte: \$23k/day
Alaska Class Ferries: \$19k/day (est.)
Lituya: \$3k/day

The Aurora, LeConte, Alaska Class Ferries, and the Lituya operate 12 hours per day or less.

10 When will the Hubbard be put into service and where will it be home-ported? Route details?

AMHS anticipates that the Hubbard will be deployed in PWS starting in May 2020. No decision about route details or homeporting have been made at this point. After the FY 2020 budget is final preliminary plans will be developed and will be finalized after the reshaping report is delivered.

Please note that under the Governor's Budget, the Hubbard would not be put into service in FY2020. However both the House and Senate versions of the budget provide operating fund for the Hubbard and the Senate capital budget includes funding for forward side doors for both ACFs.

11 Are port modifications needed for the Alaska Class Ferries to be deployed in southeast and PWS?

Minor terminal modifications are planned for Whittier to accommodate an ACF. Modifications at Auke Bay are being designed to improve the use of the stern berth there. Major modifications at Haines and Skagway are being designed to utilize the bow doors, but the decision to proceed to construction will be made after the reshaping report is complete. Major terminal modifications would be necessary for an ACF to access Chenega Bay, Pelican, Cordova, or Tatitlek.

12 What modifications are needed to the ACF's, how will that be funded and where will work happen?

The Department is looking into installing a forward side door on both ACFs. This door will add more flexibility and decrease loading/unloading time. Funding is currently in the Senate capital budget. There is no contract in place so there has been no determination as to where the work will occur.

13 What is the COI for each vessel vs the current crewing levels?

Below is the USCG manning and AMHS manning information. COI required crew is the higher of required positions or lifeboatmen, assuming all required positions are lifeboat endorsed. USCG manning is based on underway watch standing. They do not include cooking, cleaning, ticketing staff, repair personnel, linehandlers, etc.

The USCG evaluates fire and abandon ship drills based on available crew and the ability to combat fires and efficiently evacuate passengers. For the mainliners, stairway guides are required for emergencies even though these positions are not listed as required in the COI. The COI manning level of 15 for the mainliners (Columbia, Malaspina and Matanuska) for example, would be impossible to satisfy USCG inspectors that this number of personnel could safely account for and evacuate hundreds of passengers. Therefore, COI crew requirements cannot be assumed to be the minimum number of personnel required to operate the vessel.

Minimum manning requirements are meant to satisfy navigation, machinery operation, and operation of life saving equipment. There are ships that operate with the USCG minimum manning (or very close to minimum manning) in the US merchant marine, however, these vessels are traditional cargo vessels, oil tankers, tugboats, fishing vessels, etc. These vessels are not responsible for the safety and comfort of large groups of passengers.

AMHS Operating Vessel Crew:

<u>Vessel</u>	<u>COI Required Positions</u>	<u>Lifeboatmen</u>	<u>AMHS Op Crew</u>		<u>Night Crew</u>
			<u>Winter</u>	<u>Summer</u>	
Aurora	15	10	24	24	0
Chenega	7	8	10	10	7
Columbia	15	15	59	63	0
Fairweather	7	8	10	10	6
Kennicott	23	15	51	55	0
LeConte	15	10	24	24	0
Lituya	4	0	5	5	0
Malaspina	15	15	47	47	0
Matanuska	15	20	46	48	0
Tazlina	8	7	15	15	7
Tustumena	21	12	35	38	0

14 How many employees are there in the system? What communities do they live in?

The actual number of employees fluctuates depending on the time of year; however, the system averages 850 employees (630 vessel employees and 120 shoreside). Just over half of these employees live in either Ketchikan or Juneau. The rest of the employees live in various communities throughout the State and other parts of the US. An average of 3% of IBU employees, 22% of MEBA employees, and 15% of MMP employees live out of state.

15 What is the projected economic loss to the SOA of Alaska as a result of the loss of jobs, contract defaults and secondary business losses if the AMHS stops service?

The *Economic Impacts of the Alaska Marine Highway System*, published in January 2016 by the McDowell Group stated “for every dollar of General Fund money not budgeted to AMHS, there will be \$2.30 less economic activity in Alaska. This is the best information currently available to address this question.

16 Are there alternative plans for transportation for coastal communities if the AMHS stops service to any communities?

DOT&PF/AMHS is looking into possibly outsourcing some service to certain coastal communities per existing marine union CBAs. The reshaping report may identify additional routes that could be outsourced or ceded to another entity.

17 What is the status of the Tustumena Replacement Vessel, and is it dead if the Governor holds to his budget?

Funding for the Tustumena Replacement Vessel project was removed in the Governor’s budget. DOT&PF/AMHS is analyzing options for alternate vessel designs to be used to replace the Tustumena. No final decision will be made until the reshaping report is considered.

18 Has the AMHS ever gone to the private market to see about other income opportunities such as privately-run concessions, marketing platforms?

DOT&PF/AMHS has looked into privately run concessions and other marketing platforms. There are certain limitations as to what can be done in accordance with the current Collective Bargaining Agreements, however, outsourcing onboard passenger services (as was done by Washington State Ferries) could reduce AMHS' UGF need by over \$11M annually.

19 What level of service would the AMHS be able to provide if it receives the level of funds in the House or Senate budgets?

The proposed House budget would be able to provide for approximately 330 weeks of service, while the proposed Senate budget would provide for approximately 284 weeks of service.

20 What ships is AMHS considering surplus in the near future?

Only the Fairweather and Chenega are in the surplus process at this time.

21. What is the process to resolve the other bidder contesting the contract award, and will that hold up everything?

The protest has been denied by the Procurement Officer. Attached are the rules regarding any further appeal. The protest has not held up the award. A contract has been awarded to Northern Economics.

22. How will the reshaping consultant use the information SE Conference has completed or worked on? Will they use that information?

The information is listed as a source the consultant should use for their report. They intend to review the AMHS Reform project documents and will contact SEC for any additional information they require.

23. What is the status of the Commissioner's ad hoc advisory group?

The Commissioner intends to convene the ad hoc advisory group soon to provide input to the reshaping consultant.

24. Is MTAB still an official state advisory board? If so, how will it be used in the future of the system and re shaping?

Yes. It will be used the same as it has been used in the past. DOT&PF will report on topics as the Board requests and will continue to consider any recommendations made by the Board.

25. Does DOT wish for MTAB to meet after the legislative session to advise on any matters or participate in planning?

Yes. DOT&PF will present a draft winter schedule for MTAB review after the budget is approved. Similarly it will present a draft 2020 summer schedule for review in the fall of 2019. After the reshaping report has been submitted DOT&PF will work with MTAB to develop a longer range plan based on direction from the Governor.

26. Is there an interested buyer for the fast ferries? What is the process to dispose of them?

DOT&PF/AMHS has received general inquiries about purchasing the fast ferries. DOT&PF is working with FHWA to develop an acceptable surplus plan. DOT&PF envisions hiring a broker to advise on the best way to solicit bids from potential buyers.

27. Seems like a lot of the fleet is down for repairs. What is the status of the fleet? Will all vessels be ready for summer service on time?

The Tustumena is the only vessel that was planned to operate at this time that isn't available due to discovery of additional repairs that needed to be done during her annual overhaul. The other vessels that are not operating were not scheduled or planned to operate at this time. AMHS expects all scheduled summer service to be provided beginning in May.

28. The new reservation system has never fully lived up to expectations. Is AMHS on the hook for that or is the contractor still resolving those issues, including kiosks?

The new reservations system is operating as expected and is fully functional, with the exception of the kiosks. The contractor is working on resolving the issue of proper encryption of the credit card readers in the kiosks. This is anticipated to be resolved in the next few months.

29. Seems like a terminal at Cascade Point is in the news a lot recently. What is the process for planning a terminal there? Can MTAB have an update and should the board be part of that process?

DOT&PF has done some preliminary engineering to estimate potential costs of a terminal at Cascade Point, but no decision has been made at this point. A recon report (attached) has been prepared. It would be appropriate for MTAB to review the report and make recommendations and/or request more information.