The Alaska Marine Highway System (AMHS) Reform Steering Committee is pursuing legislation to transition the ferry system to a Public Corporation, creating a more sustainable organization.

Ferry service has declined in recent years due to budget reductions, an aging fleet, and an outdated approach to labor and management relations. Without significant change soon, the system is at risk of failure. Many coastal communities will be left without economic opportunities and critical linkages to Alaska’s service and supply centers.

The new state-owned Public Corporation would:

- Manage the Alaska Marine Highway and its assets in a safe and efficient manner.
- Provide essential marine transportation services, connecting coastal communities with economic and service hubs and supporting the overall transportation needs of the state.
- Provide for continuity of operations and public accountability.

Benefits from the Public Corporation include infusion of private sector expertise through the Board of Directors, consistent leadership, greater alignment between management and labor, and less exposure to political influence.

Alaska’s small population and long travel distances necessitate continued public funding. Operating as a Public Corporation preserves access to federal capital funds and other financial advantages of government ownership and operation.
Changes Address Current Limitations

The most significant benefit of transitioning to a Public Corporation is aligning labor and management interests and strategically reducing operating costs.

As a line agency, AMHS currently experiences funding and schedule uncertainty, frequent turnover in politically appointed positions, indirect labor negotiations, short-term planning horizon, cumbersome procurement processes, and political influence over operational decisions.

The Executive Director will manage operations. Governor-appointed board members will ensure responsible use of resources and contribute experience in business, transportation, finance, and labor relations.

Stabilize State Funding and Grow Revenues

The Corporation will be better poised to capture opportunities resulting from public-private partnerships onboard and in the terminals.

The Public Corporation will be better positioned to structure service levels and rates to reflect Alaska’s transportation needs.

Stable, predictable funding is critical as the state funding has a direct impact on service levels, revenue generation potential, and employee retention. The FY19 general fund amount for AMHS totaled $86 million – a decrease of $38 million in state general funds in the operating budget from FY13 to FY19.

Stable funding is also required to take full advantage of revenue opportunities. Scheduling uncertainty results in millions of dollars of operating revenue left untapped each year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding Amount</th>
</tr>
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<tbody>
<tr>
<td>FY13</td>
<td>$124 million</td>
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<tr>
<td>FY15</td>
<td>$113 million</td>
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<tr>
<td>FY17</td>
<td>$89 million</td>
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<tr>
<td>FY19</td>
<td>$86 million</td>
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</tbody>
</table>

Publishing schedules a year or more in advance allows residents and visitors alike to travel more frequently and generate much needed ferry revenue and economic activity throughout Alaska.
Non-Residents Help Fuel the Ferries and the Economy

Travel by non-residents generates revenue and economies of scale in the system. In turn, Alaskans receive much more affordable and more frequent service.

- Non-resident travel accounts for 30% of passenger traffic and more than 40% of AMHS operating revenue. This includes visitors, military, and business travelers.
- Almost half of AMHS operating revenue is tied to Bellingham embarkations and disembarkations ($22 million out of $48.6 million in 2015).
- More than half of summer visitors carried by AMHS visited Anchorage, 36% visited Denali, and 25% visited Fairbanks.

Maintaining the long-term viability of the system is critical for our overall economy.
Optimizing the Fleet

Over time, the fleet and shore-side infrastructure will be standardized for further operating efficiencies.

The future system requires a mix of ocean-going vessels capable of serving Southwest Alaska, smaller feeder vessels suitable for serving Southcentral and Southeast Alaska, and mainline ferries that can connect to Bellingham.

We Can’t Afford To Wait

Transitioning to a Public Corporation, coupled with forward funding, keeps Alaska’s critical transportation and economic driver afloat.

A Public Corporation will:

◆ Benefit from Board expertise in business and transportation.
◆ Provide greater latitude to control costs and enhance revenue.
◆ Provide needed management continuity.
◆ Build a productive relationship between management and labor.
◆ Develop fleet and business operations in a strategic and efficient manner.
◆ Serve as a reliable foundation for coastal community sustainability and statewide economic development.

Recommendations are based on the AMHS Reform Project Strategic Business and Operational Plan, which included an examination of AMHS operations and other ferry systems around the world, examples of Public Corporations in Alaska including the Alaska Railroad Corporation, and considerable input from Alaska residents.

Reports and project information are available at www.amhsreform.com.

Sources: AMHS Reform Strategic Business and Operational Plan (Elliott Bay Design Group and McDowell Group, 2017), Alaska Visitor Statistics Program (McDowell Group, 2017), The Economic Impacts of the Alaska Marine Highway System (McDowell Group, 2016).