DRAFT Questions and Concerns regarding the change of plan for the Alaska Class Ferry

Purpose: Prepare Questions to transmit to the Joint meeting of the House and Senate Transportation Committees January 17 to assist in examination of Governor Parnell's proposed replacement of the Alaska Class Ferry with two smaller vessels

I. Service Standard in Southeast Alaska: frequency, versatility, capacity, and backup

a. Demonstrate how the plan to use the smaller ferries meets the need for versatility. Small boats cannot operate any where except within state waters; where can they go? Can they deal with Clarence Strait? The smaller boats will not qualify for SOLAS so cannot run to Prince Rupert as could the Alaska Class Ferry. The smaller, limited vessel, limits the options. Haven't the *Fairweather* and *Chenga* taught us that the more specialized the vessel, the more limited its deployment opportunities?

b. Please explain how the plan supports the Governor's December 4 statement: "The smaller vessels will provide much-needed backup service should other vessels experience mechanical problems, and can add flexibility to the system when special community events require greater access," by describing the routes and naming the communities these vessels can serve directly and in a back-up capacity.

c. How will the new plan address the needs for service in the Lynn Canal during periods of inclement weather, especially high seas?

d. How do you know that the smaller ferries will be safe, reliable, and comfortable in the proposed routes?

II. The Role of the Marine Transportation Advisory Board (MTAB)

a. Wasn't the purpose behind the MTAB process to get the design "right"? Wasn't the goal of the process to match the vessel to the need? MTAB identified the actual need and the proper solutions were articulated in the form of a concept design. Shouldn't the focus be on funding the right tool for the job, as opposed to changing the tool?

b. Is the state willing to utilize the resources (experience and knowledge) of the MTAB to inform the planning and design of the latest idea for an Alaska Class ferry?

c. How does the State's plan for the role of MTAB align with AS 19.65.180 (C) with respect to developing a strategic plan for the Alaska Marine Highway?

III. The Proposed Design for the Two Smaller Ferries to Replace the Alaska Class Ferry

a. How will the new plan address the needs for service in the Lynn Canal during periods of inclement weather, especially high seas?

b. How do you know that the smaller ferries will be safe, reliable, and comfortable in the proposed routes?

c. There is a renewed focus on bow doors. Please explain why bow doors haven't been used on vessels other than the Bartlett. While bow doors are said to offer great efficiency of roll-on/roll-off operation, the need to seal things properly to provide sufficient watertight integrity may result in significant construction and operation costs. There have been a couple of serious life-taking ferry accidents in the Baltic – all related to bow door failures.

d. Does not the proposed design, stern/bow roll-on/roll-off (RORO) require a specialized loading dock? If so, how many communities have the appropriate facility and what is the cost of building the required facility? Is this cost considered when estimating the savings from the change in plan?

e. A partially opened car deck configuration has been referenced in earlier discussions. Will this be safe for the proposed routes? If it is deemed unsafe, how will the change affect the cost of construction for the two smaller ferries?

IV. Funds/Cost: The purpose of the new plan is to control costs. How will it achieve this? "With declining oil production and declining state revenue, we have to be smarter with the people's money while meeting Alaskans' marine transportation needs." (December 4, Press Release from Governor Parnell announcing new direction.)

a. We understand that the Alaska Class Ferry design was 35% complete, and that thus the cost estimates were in the same preliminary state. Will you provide us with the same estimates provided you that led to your conclusion that the AK Class Ferry would run over budget?

b. To what level have the smaller ferries suggested as an alternative to the Alaska Class Ferry been designed? To what level has the cost of construction been estimated? Will you please provide us with the design and cost estimate documents?

c. It is probably true of ferries as with houses: a small percentage of the cost is accounted for by construction (capital cost); the larger percentage is operation and maintenance. Please share with us the estimates of the operation and maintenance for one large Alaska Class Ferry, that that makes one round trip but that that can handle expected loads compared to the cost of operating 3 small shuttle ferries with crews several times a day.

d. Are the construction costs for the new terminals needed for the stern/bow roll on-roll off (RORO) vessel part of the cost savings?

e. According to Commissioner Kemp's December 20 report, the decision to build two smaller ferries instead of the Alaska Class Ferry is based in part on a prediction in a report of "a substantial increased cost that resulted in the highest annual AMHS subsidy of any alternative UAF analyzed" (page 2, Commissioner Kemp, 12/20/12). The report is based on AMHS data from 2006. Why do you have such confidence in a report based on 6-year-old data, knowing that utilization (both commercial and non-commercial) has increased in the interim?

f. How do you read the following sections of the UAF report that connect the highest increase in subsidy to a ferry-road combination as opposed to the replacement of the Malaspina by an Alaska Class Ferry?

> Under Option 1B (Malaspina is replaced by an Alaska-Class shuttle ferry):
> AMHS' financial performance is only slightly worse than the status quo (Option 1A) (p.189)
> Profitability index "is statistically identical to that of the Status Quo and is to be expected." (p.191)
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> The Option 4 (Multiple Alaska-Class Ferry plus Juneau Access Highway) would (p.190):
> Result in a greater operating subsidy than all options except for the "full" Service Expansion Option 3.
> The revenues generated by the expanded Lynn Canal service fall well short of the level expected to accrue from the proposed capital expense.
> In this option, revenue yield actually decreases while Marine Vessel Operating costs remain unchanged.
> The solution – change the current labor contract:
> Option 4 "appears the least 'unprofitable' of the six options." (p. 191)
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> The report concludes: "Options 1B and, 4 illustrate that ship replacement of one or more existing vessels with Alaska-Class ships will increase the subsidy requirement, particularly in Option 4 where the fleet size increases." (p. 193)

g. The per/mile ticket prices between Haines and Skagway are the highest in the system, sometimes 200% to 300% higher per/mile than on other legs of the Marine Highway. How will the construction of lower cost ferries affect user costs, specifically in Lynn Canal?

V. Reorganization of the State Department of Transportation and Public Facilities

a. Why is it necessary to eliminate the position of Deputy Commissioner of Marine Operations? Where will the functions of the Deputy Commissioner be handled? Help us understand the proposed reorganization and administrative structure.

b. The Alaska Marine Highway is a statewide function similar to airports and road systems. It serves communities and commerce from Bellingham, Washington to the Aleutians. Where does it fit in the structure?

VI. Process Oriented Questions:

a. Why did the State wait so long, at such a cost (+/- $3 million), to weigh into a process that was producing something unwanted? Is there some element in the procurement regulations that needs to be addressed to avoid wasting funds in a similar manner in the future?