

March 5, 2024

The Honorable Michael J. Dunleavy  
Governor of the State of Alaska  
Office of the Governor  
550 West 7<sup>th</sup> Ave.  
Suite 1700  
Anchorage, AK 99501

Re: Alaska Marine Highway Operations Board 2023 Annual Report

Dear Governor Dunleavy,

HB 63, passed by the 32nd Alaska State Legislature in May 2021, clearly states the legislature's intent to strengthen, support, and modernize the AMHS by developing a short-term plan (STP) and long-range plans (LRP) that incorporate multiple priorities, goals, and planning pathways by DOT&PF and their contractors in consultation with the newly formed Alaska Marine Highway Operations Board (AMHOB).

**AMHOB Composition and Activities.** The members of the AMHOB, selected by the Governor, Senate President, and House Speaker since February of 2022, have provided experience, familiarity, and first-hand knowledge across the board of preferred capabilities as listed in the AMHOB membership capability matrix completed February 2023. Business operations, project management, marine operations, strategy, regulatory compliance, and communications have the highest number of board member's sector experience, and the broad regional knowledge they bring to the discussion is critical to the design of a successful LRP. The Alaska Native organization seat, which is appointed by the Governor, has remained vacant for eight months. This important seat needs to be filled. The work of the AMHOB in 2023 focused primarily on the review, analysis, and discussion of Short- and Long-Range planning efforts provided by contractors and subcontractors on behalf of DOT&PF. The board also focused on adjustments in ferry schedules to address disruption in operations due to crew shortages and mechanical failures, and the best use of transformational Infrastructure Investment and Jobs Act (IIJA) funding.

**Planning and Analysis.** Senator Kaufman attended several meetings early in 2023 and provided the board a blueprint for a RACI chart that clearly lays out the responsibility and role of the AMHOB, DOT&PF, and AMHS in all elements of the LRP process. The matrix is a type of responsibility assignment that defines roles of stakeholders. The RACI chart is designed to ensure clear communication and smooth workflows across all parts of a team. The board and staff visited the draft chart in two separate workshops and made some clarifying changes before adoption. We thank Senator Kaufman for his engagement, interest, and expertise in helping to simplify the LRP planning process using the language of HB 63 as his guide. His participation was of great value to the AMHOB and greatly appreciated.

KPFF Consulting Engineers, Elliott Bay Design Group (EBDG), Engineering Consulting Services (ECS), DOWL Engineering, and The Maritime Group Europe provided reports, studies, and assessments of system data collection, fleet evaluations, management evaluations, service level options, fleet maintenance planning improvements, an electric ferry prototype vessel, and community assessments. The AMHOB reviewed, questioned, amended, and analyzed the various presentations in nine meetings held in 2023. The process is

moving very slowly and is still in Phase 2 at the end of the year. We trust that the information will coalesce into an LRP that can be put into action in the next two years and are somewhat concerned that transformational funding through the IJA may not be fully expended on various capital projects so critical to success without an aggressive vessel replacement plan moving forward.

**Strategic Focus and Funding Utilization.** With two new mainliners being critical to the future of the AMHS, we are focused on the design and construction of these vessels within the funding window of the IJA and recommend that new federal funds be used for capital projects, and state funding for operations. Aggressive pursuit of the Tustumena replacement vessel, the design of two new mainline vessels to replace the Matanuska and the Columbia, the addition of crew quarters on the Tazlina, dock rehabilitation for the Alaska Class Ferry (ACF) served communities in Southeast and Prince William Sound (PWS), improved employment recruitment and crew retention, governance improvements/stability, bi-annual operations funding, and sales and marketing improvements remain the highest priorities of the AMHOB for a successful LRP.

**Operational Improvements and Concerns.** There have been improvements in some of these priorities in the past year, including the recent hiring of retired licensed officers to help relieve the crewing challenges, and the change from DOA to DOT&PF for payroll responsibility to fix long-time crew concerns as well as a complete rewrite of the Tustumena Replacement Vessel (TRV) Request for Proposal (RFP) for shipyards by Director Tornga. Still, of concern through 2023 is the status of the Tustumena replacement vessel due to a change of funding source and design to include batteries (mandated by the new federal funding to lower emission and incorporate more fuel-efficient technologies) both of which have slowed the project by another year, and the addition of crew quarters on Tazlina (and possible Safety of Life at Sea, SOLAS, upgrades if feasible) that have been delayed due to funding source changes (from approved Federal Highway Administration funds to new Federal Transit Administration funds). Additionally, the timely dock rehabilitation for ACF served communities needed to put the ACFs into full service to ensure they can operate in Prince William Sound and Southeast communities when the Aurora and LeConte are set to retire is out several years. The board sees a need for sales, marketing, and service improvements that have not yet been identified or analyzed for timely inclusion in AMHS services in the short term.

With the current information available to AMHOB and the public, we cannot see the merit of the proposed Cascade Point Project. We have requested information regarding the impact of the new routing to Haines and Skagway from Cascade Point instead of Juneau at multiple meetings, but the operational, market, and public analysis needed to fully understand the impacts on riders, crews, and businesses has not yet occurred. We question the impact on the riders who may save an hour or more on the water route but are debarked 35 miles from Juneau with very limited options for transportation to the airport, Auke Bay, or downtown. The board has heard public input on the project at several meetings, and there has been no support for the significant change in routing at this point. A new AMHS terminal at Cascade Point has not been vetted by the AMHOB or the public as an AMHS project that fits into a Long-Range Plan for the ferry system itself.

**Leadership and Management Enhancements.** The hiring of Craig Tornga as the AMHS Director in early March brought much-needed maritime, business, and project management experience to AMHS. The board fully supported his selection and hiring after an executive session to meet and question Director Tornga and continue to fully support him as he brings his experience and knowledge to the vessel/fleet planning process, recruitment improvements, and the continued safety-first operations for our crews and passengers.

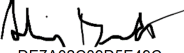
**AMHOB Activities and Recommendations.** The AMHOB made recommendations, suggestions, and motions throughout 2023 which are detailed below.

- February: The board reviewed the Operations-Resilience and Efficiency evaluation by EBDG and provided comments, suggestions and recommendations for its use in the interim LRP discussion in July. These three reports can be found on the AMHS website under Task 2-3-4. The AMHOB re-elected Shirley Marquardt as the Chair and elected Captain Ed Page as Co-Chair for 2023.

- February: The board made the recommendation to support the restricted summer schedule that put Columbia online, but not Kennicott due to the inability to fully crew both mainliners during the same months. Columbia's larger car deck and passenger service capacity was deemed more beneficial to the system overall, but the unfortunate result was the loss of the Cross Gulf sailing to Whittier. This was a difficult decision.
- March: The board unanimously approved the hire of Craig Tornga as the new AMHS Marine Director and welcomed him onboard.
- July: The board approved the interim LRP after reviewing our comments and incorporating some of them in the plan. Many recommendations were relevant to justification and feasibility in planning, the inclusion of statewide Alaska Regional Development Organizations (ARDOR's) in public outreach, the best use of new IJA funding for new mainline vessels, the dock rehabilitations for the ACF's and changes in onboarding new or prospective crew for more successful schedule planning. Comments from the board can be found in the Archive drop down on the AMHOB website.
- July: The board held an Executive Session to discuss the contents of the Whistleblower letters the board and the Coastal Legislators received in early July. Commissioner Anderson verbally assured the board members that the Department of Law (DOL) had reviewed the letter, investigated the allegations, and found no issues of concern thereby closing the investigation. The board did not receive a written or verbal review of the investigation process or the findings of the individual allegations in the letter.
- At this meeting in the public comment section Representatives Stutes and Ortiz made a request to review the findings of the DOL's investigation and final report and were advised that would be provided to them when the investigation was complete.
- Also at the July meeting, the board designed a Vision Statement and refined the draft by-laws before adopting them. The By-laws and Vision statement can be found on the AMHOB website July archive.
- August: The board made recommendations by motion to approve the 2024-2027 STIP regarding AMHS items. The Cascade Point STIP inclusion related to lease payments by the State to Goldbelt if the project moves forward and was described as a place holder. Therefore, the board decided not to object to the project's inclusion at this time.
- August: The board made a motion to call on the Dunleavy Administration and the Alaska State Legislature to authorize emergency powers and ongoing variances to state personnel process providing the AMHS Marine Director with the flexibility to offer comparative wages and compensation packages for targeted positions, both temporary and permanent.
- August: The board made a recommendation the state fund an apprenticeship and training program through STIP item 34200, for new and existing AMHS licensed and unlicensed workers in exchange for a specified number of years of service within the eligibility of the federal funding and Union agreements.
- December: The board received a presentation by Jon Bolling, Southeast Conference Transportation Manager on the proposed No/Low emissions electric ferry project that they share with ADOT&PF. No recommendations were made at this time. Options are in the feasibility study stage and are limited due to the length of the AMHS routes.
- In this meeting KPFF Consulting provided an update on the community characteristics and service level tool that they are creating. The board reviewed and revised several elements of the community characteristics tool based on firsthand knowledge, and questioned the use of service level data from years that had the benefit of an 11-vessel fleet when it has been a 7-8 vessel fleet for the past several years. This will be updated at the March 5-6, 2024, meeting in Juneau.

**Conclusion.** The AMHOB was briefed and engaged on a wide range of challenging issues faced by AMHS in 2023. These issues spanned from current crew shortages and mechanical problems to supporting the short-term plan provided by staff, approving an interim Long-Range Plan to take advantage of new federal funding and addressing high-priority vessel replacement needs, as well as adjustments to schedules, routes, and bridging measures to fill gaps in service where feasible. The AMHS is clearly in a transition stage as the current fleet largely needs replacement, crewing shortages continue with some improvement, ongoing maintenance needs in the fleet create service gaps, and the inability to provide service to Prince Rupert or the Cross Gulf has significantly affected communities like Yakutat, Ketchikan, and Whittier, creating a ripple effect on the entire system. Both the Kennicott and Matanuska were listed as active in the short-term plan the board approved early in the year; however, neither of those vessels was able to operate due to significant repair and construction issues, as well as US Coast Guard (USCG) rules for continued sailing to Prince Rupert on the Matanuska and crewing challenges on the Kennicott for the summer schedule. At its core, AMHS is a multi-million-dollar marine enterprise operating within a complex legislative, economic, and federal/state regulatory framework. It relies on a skilled and loyal workforce to provide service within and to Alaska. AMHS staff and crew were instrumental in the AMHS's ability to provide service last year, and they are committed to the success of this unique and critical service. The AMHOB strongly encourages the approval of matching funds needed to pursue the IJA federal dollars during this Legislative session. This funding will support the majority of the recapitalization of the AMHS fleet and portends a bright future for Coastal Alaskan communities. The challenge lies in maintaining AMHS service to Alaska's needs under trying circumstances until long-needed replacements and improvements can be made. We are making progress.

Respectfully,

DocuSigned by:  
  
DE7A02C09D5E49C...

Shirley Marquardt, Chair AMHOB, on behalf of the AMHOB Members.

AMHOB Members: Shirley Marquardt, Chair, Edward Page, Vice Chair, Deputy Commissioner Katherine Keith, Wanetta Ayers, Larry Carson, Keith Hillard, Robert Horchover, Paul Johnson, (*Alaska Native organization, vacant*)

Enclosures:

RACI Chart

AMHOB Bylaws