

State of Alaska FY2002 Governor's Operating Budget

Department of Transportation/Public Facilities
Marine Highway Stabilization
BRU/Component

Component: Marine Highway Stabilization

Contact: George Capacci, General Manager

Tel: (907) 465-3959 **Fax:** (907) 465-2474 **E-mail:** George_Capacci@dot.state.ak.us

Component Mission

To provide communities personal and business travel opportunities similar to that enjoyed by the remainder of the population, by economical, safe, and reliable operation of a fleet of passenger and vehicle ferries.

Component Services Provided

- Operation of nine passenger and vehicle ferries in international and deep-sea service.
- Operation of some 20 terminals throughout Southcentral, Southwest, and Southeast Alaska.
- Adherence to US Coast Guard and international regulations in the outfitting and maintenance of the fleet.
- Maintenance of an international standard of competence among ship's crews and other employees in order to maximize passenger and vehicle safety.
- Reservation, ticketing, and tariff collection systems designed to provide maximum accessibility to the public and maximum revenue to the state.
- Transportation for Alaskans to school events, cultural and community gatherings, and for business and commercial purposes.

Component Goals and Strategies

Meet the expectations of the traveling public well into the 21st century.

- Generate maximum revenue in order to minimize the cost of the System to the state.
- Reduce cost of reservation system while improving customer service.
- Schedule and operate the fleet so as to employ each asset fully, offer the greatest service possible, and provide a safe on time voyage.
- Plan for future employment of the fleet in accordance with the regional transportation plans completed or in development.
- Maintain the fleet at the highest established safety standards.

Key Component Issues for FY2001 – 2002

- Rapidly rising fuel and other costs for AMHS combined with lagging revenues are lowering the balance of the Marine Highway Fund. Measures must be taken to halt this erosion of the fund, which is projected to be in a deficit by the end of FY2002.
- Continued implementation of the Southeast Transportation Plan, including ferry design and construction, terminal development, and transitioning between the current and future System.
- Maintaining balance between level of service communities' want and system's financial ability to provide.
- Implementation of a marketing strategy which will realize the full potential of daily shuttle service and tap the potential for summer travel revenue.
- Maintenance of high employee morale which will be reflected in safe performance and passenger loyalty.
- Maintenance and capital improvement funding which will permit the continued operation of older ships under modern safety requirements.
- Institute route adjustments to provide regular service more efficiently.
- Establish a full service on line reservations system.

Major Component Accomplishments for FY2000

- Earned, in FY 2000, revenues of \$38.4 million, which surpassed the previous year until the M/V Columbia fire.

- Maintained a safe reliable transportation record with no casualties resulting from and all passengers being rerouted after the Columbia switchboard fire and continued all weather, all seasons, around the clock service.
- Continued daily service connecting the cities of Juneau, Haines, and Skagway with revenues nearly matching the cost of operation.
- Cross -Gulf service, both in summer and in January, showed market potential with a high level of public acceptance and strong revenues, despite unpredictable weather.
- Achieved Certification of Compliance under the International Convention for the Safety of Life at Sea and the International Safety Management (ISM) code for all ships in the fleet.
- Installed a new interactive reservation phone system and initiated a popular internet reservations process.

Statutory and Regulatory Authority

AS 19.65.060 created the Alaska Marine Highway System Fund.

Marine Highway Stabilization
Component Financial Summary

All dollars in thousands

| | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|-----------------|-------------------|-----------------|
| Non-Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 0.0 | 0.0 | 0.0 |
| 72000 Travel | 0.0 | 0.0 | 0.0 |
| 73000 Contractual | 0.0 | 0.0 | 0.0 |
| 74000 Supplies | 0.0 | 0.0 | 0.0 |
| 75000 Equipment | 0.0 | 0.0 | 0.0 |
| 76000 Land/Buildings | 0.0 | 0.0 | 0.0 |
| 77000 Grants, Claims | 0.0 | 0.0 | 0.0 |
| 78000 Miscellaneous | 27,129.5 | 27,909.7 | 29,182.0 |
| Expenditure Totals | 27,129.5 | 27,909.7 | 29,182.0 |
| Funding Sources: | | | |
| 1004 General Fund Receipts | 27,129.5 | 27,909.7 | 29,182.0 |
| Funding Totals | 27,129.5 | 27,909.7 | 29,182.0 |

Marine Highway Stabilization

Proposed Changes in Levels of Service for FY2002

In order to keep the same level of service in FY02 as in FY01, an additional \$819.8 of General Funds is required. Without this funding, vessel service would have to be reduced.

Additional GF is also being requested for:

Marketing the Alaska Marine Highway System - \$200.0

International Safety Management contracts and publications - \$50.0

Funding for two positions for additional shipboard and shoreside financial control - \$112.5

Longshoring increases in Southwest Alaska - \$60.0

Seasonal position for Whittier terminal - \$30.0

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

| | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| FY2001 Authorized | 27,909.7 | 0.0 | 0.0 | 27,909.7 |
| Proposed budget increases: | | | | |
| -Add \$819.8 GF to allow Marine Highway Fund to maintain baseline service | 819.8 | 0.0 | 0.0 | 819.8 |
| -Add \$50.0 GF to support increment for International Safety Management program | 50.0 | 0.0 | 0.0 | 50.0 |
| -Add \$112.5 GF to support increment for administrative and passenger services funding | 112.5 | 0.0 | 0.0 | 112.5 |
| -Add \$60.0 GF to support increment for increased longshoring expense for Kennicott | 60.0 | 0.0 | 0.0 | 60.0 |
| -Add \$30.0 GF to support increment for Whittier terminal position | 30.0 | 0.0 | 0.0 | 30.0 |
| -Add \$200.0 GF to support increment for AMHS marketing effort | 200.0 | 0.0 | 0.0 | 200.0 |
| FY2002 Governor | 29,182.0 | 0.0 | 0.0 | 29,182.0 |