

The Honorable Mike Dunleavy
State of Alaska
PO Box 110001
Juneau, AK 99811-0001

November 6, 2020

AML Response to AMHS Reshaping Working Group Recommendations

Dear Governor Dunleavy,

It is worth noting the parallel processes at work over the last two years. There are almost three – budget, operations, and the search for recommendations. Under the cover of the latter, DOT&PF has proposed budgets that fundamentally challenge the ability for the AMHS to deliver reliable, affordable transportation to Alaska’s residents and businesses.

Yes, the State is facing substantial deficits, exacerbated by an unwillingness to address revenue development. Policy decisions at the highest level have reflected priorities that result in reductions to a system of ferries that Alaskans have depended on since prior to Statehood. These budgets have meant that ferry routes are eliminated, and service stalled. This has been a multi-year effort that spans administrations but brought into clear focus these last two years. Let’s be clear – this Administration has made choices about what it spends limited resources on and chosen against those funds being applied to the ferry system, thereby negatively impacting the lives and livelihoods of 119,000 Alaskans.

DOT&PF and the AMHS management team have produced schedules based on this that are debilitating for many communities. Limited winter service the first year resulted in an acute crisis, and DOT&PF has doubled down this coming winter. Maintenance and repairs have been scheduled at times that have further destabilized the system, resulting in lost transits, time, and money. Ultimately these decisions are made as the result of priorities of the Commissioner – decisions continue to be made that reduce operations. There would be different outcomes if service to, reliability for, affordability for, and sustainability of communities served by the AMHS.

The reality of these last two years – a fight for the future of the ferry, and continued outcry over its diminishment – can be lost in the search for longer term solutions. Instead of actions that ensured service during this time, service was lost even while the future was debated. And lost service and continued erosion of the system results in a feedback loop that actually impacts that future. What we see is this mutually reinforcing scenario, where decisions are taken in real time to diminish the system, while iterative planning processes for the longer term are based on the results of those ongoing decisions. Thus, the current study is based on a system that is the result of negative impacts from past studies and decisions. Our baseline is lack of viability, and recommendations based on not how to improve the system but to stem the loss.

The entire framework, then, of the AMHS Reshaping Working Group, was to reduce service, systems, and sustainability in order to save the State money. Think about that for a minute. The charge is not to identify what would be most beneficial to communities. The goals are not effective inter-modal transportation, nor how to reduce transaction and opportunity costs for economic development. The

mission is not public health and safety. The entire effort is how to reduce the system to its bare minimum – this was even the request made to community leaders – such that the State can reduce its obligation.

As municipal leaders, we can't help but think that this is 1) a lost opportunity to strengthen the system and partnerships with communities, and 2) that the outcomes aren't unsurprising given the goal.

In providing this summation, we want to be clear that we don't find fault with the members of the Working Group. There was an amazing amount of work that went into the report's production, and the findings and recommendations are well thought out and consistent with prior efforts. We appreciate the Chair's outreach to communities. We were pleased to be able to contribute what we could upon that invitation.

It is also true that municipal leaders were not involved in helping to develop these recommendations, there was no municipal representation on the Working Group. AML was able to provide a presentation to the body but inclusion of municipal leaders would have strengthened the final product. Municipal leadership would have been able to explain how operations occur within and between a community, describe recent infrastructure improvements that need to be considered, and overall contribute to problem-solving that would have been more implementable. That said, again, the goal of the group was not to ensure the viability of communities, but to reduce costs of the system. Communities come at its expense.

The first line of the introduction gives us reason to be concerned, that AMHS "exists to provide ferry transportation to certain Alaska coastal communities." It goes on to mention the benefits achieved, but it reflects the tone for the rest of the report. First, it is fundamentally just a transportation decision. The implications are that it should remain disconnected from other agency inputs, and insulated from other societal goals of health, safety, and economic activity. At the same time, it is solely about the ferry, and less about the ferry as part of a broader inter-modal system. Second, the benefits accrue to only some of Alaska, namely coastal. This allows for diminution of the benefit. Even though research can show the benefit to all of Alaska, including to Alaska's GDP, and to all Alaskans, with statewide ridership, the report's conclusions are based on a limited value set. Furthermore, this allows for member perspectives on the value of small communities to be brought forth – there are numerous instances where the report concludes that small communities may deserve less or no service because of their size or location.

Review of Recommendations

- Long Term Strategy or Strategic Plan, and lack thereof
 - We completely agree that this is necessary, and that this should be driven by system users. However, we must ask why this doesn't currently exist, and whether the answer to that question is that the status quo benefits the State. Lack of a plan allows successive administrations, commissioners, and legislatures to make ad hoc decisions based on personal preference, which are necessarily in the interest of the system. The Working Group does not address "why" and ultimately this will drive whether the recommendation is followed through on.
- Governance – Operations Board
 - The group recommends an advisory board to replace an advisory board, which fundamentally does not change the decision-making process. It does not help that no municipal seat was allocated, a continued oversight that lessens the overall efficacy of the effort. While this is an easy short-term recommendation, we think that removing the system from the political process must be a priority, and would better advance the goal of a long-term strategic plan. The Working

Group tried to navigate the politics of today, instead of advocating for the fundamental changes necessary but that require maintenance of effort for a longer period.

- System reliability – assess assets
 - This follows on previous research recommendations and contains a lot of value about how to redeploy assets for the best configuration to meet system needs. What we don't see here is what kind of additional investments might be necessary to strengthen the ability of the State to conduct this reorganization.
- Stabilize budgets – forward fund
 - We completely agree with the need for multi-year or forward funded budgets, to allow for effective system planning and implementation.
- Reduce system costs –
 - At some point enough is enough. That probably came in the last two years. The Governor's leadership is needed to commit to keeping the system intact and as is, with at least the schedule counted on by communities prior to cuts these last few years. We've hit a standard for minimal service. Until such time as this Working Group's recommendation result in long-term planning and stabilized budgets, reorganized assets and efficiencies, and modernized governance, the expectation of communities is that the State maintain its obligation to continued and sustainable service.
- Renegotiate labor agreements –
 - This remains a challenging component of the overall system and costs, and we agree that this will need to continue to be explored. We call on labor unions and the State to negotiate with one another in good faith and in the interests of the System. A fully functioning and stable system benefits union members and the State, and should be a goal that has mutual benefit.
- Increase system revenue
 - All of these ideas make sense, and we look forward to a data-driven fee schedule that maximizes ridership and competitiveness (neither of which are mentioned in the report). Interestingly, there is little mention of increasing ridership or developing the potential for demand, which would also contribute to increased system revenue, without increasing prices. There should be scenarios in which increased ridership offset the need for fee increases, and a strategy in place to do so.
- Leverage road infrastructure
 - The report correctly identifies where there are potential cost-savings for the system but does little to identify the follow-on effects of those decisions. This is the same kind of decision-making process that has diminished the value of the system over time. In particular, any of the recommendations may make sense to save time or money for the system, but all of them also increase the time and money necessary to utilize the system. The result is most likely reduced ridership, which further destabilizes the system and increases the calls for reduction in service.

The release of the Working Group's report is not revelatory. There's nothing surprising, necessarily, nor are we surprised with the outcomes. Many of the recommendations make sense, just as they have for

years. What's been surprising these last two years is the unfortunate perspective that the Alaska Marine Highway System is expendable, and that just maybe so are the communities reliant on the system. The targeted and sustained assault on an integral part of our transportation system is led from the top.

The response from the Governor and from DOT&PF, upon receipt of this report, must be to go beyond thanking the members who delivered it – municipal officials argue that the State should very clearly state its intent to sustain and strengthen our ferries, and that communities should expect no further reductions in the immediate future. It is not unreasonable to believe that it will take time to follow up on these recommendations, and that in the meantime, effort should be made to continue the commitments made to communities at Statehood.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Nils Andreassen', with a stylized, cursive style.

Nils Andreassen
Executive Director

Copy:

- Commissioner John MacKinnon, DOT&PF
- Senator Cathy Giessel, President, Alaska State Legislature
- Representative Bryce Edgmon, Speaker, Alaska State Legislature
- Senator Bert Stedman, Member, AMHS Working Group
- Representative Louise Stutes, Member, AMHS Working Group