

Central Council
Tlingit and Haida



ROADS & TRANSPORTATION DEPARTMENT

TRIBAL MARINE TRANSPORTATION PLAN
(TMTP) SOUTHEAST
2010 - 2015

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Approved by the CCTHITA Executive Council in 2010

**Central Council of the Tlingit and Haida Indian Tribes of Alaska
TRIBAL MARINE TRANSPORTATION PLAN – SOUTHEAST**

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THE TRIBAL PLAN

I. THE TRIBAL MANDATE, PROCESS AND PARTICIPANTS

A. The Tribal Mandate

Central Council of the Tlingit and Haida Indian Tribes of Alaska (CCTHITA) is a Federally-Recognized Tribe representing almost 26,000 Tlingits and Haidas worldwide. The Central Council's beginnings stem from the Jurisdictional Act of 1935 through which it sought recognition for the purpose of pursuing tribal land claims in Federal Court. Those efforts brought about a settlement and the tribal organization. It is a sovereign entity that enjoys a government-to-government relationship with the United States.

The mission of the Central Council of the Tlingit and Haida Indian Tribes of Alaska (CCTHITA) is to 'preserve Tlingit and Haida sovereignty, enhance Tlingit and Haida economic and cultural resources, and promote self-sufficiency and self-governance for our citizens through collaboration, service, and advocacy.' Within that the Roads and Transportation arm of the Tribe is charged with developing and maintaining efforts and programs that meet the local and regional transportation needs of tribal constituents. The governing body of the Tribe strongly supports this direction, as evidenced by the resolution at Appendix A, which approves this plan and authorizes its aggressive implementation.

In 2009, the Roads and Transportation Department initiated the development of a tribal *Long Range Transportation Plan (LRTP)* to guide the Tribe's overall transportation efforts and to satisfy federal regulations requiring tribe and state governments to develop long range transportation plans. This tribal plan has been approved by the Tribe's Executive Council and was presented to the General Assembly, the Tribe's general legislative and governing body, at the 2010 Session in Juneau, Alaska. In this planning process, the Department:

- Assessed transportation systems and resources in the region with a particular eye to small Native communities;
- Identified unmet transportation needs in those tribal communities;
- Began to develop a strategy for helping communities to meet those unmet transportation needs;
- Set a tribal transportation policy in place; and
- Began to expand and develop tribal *Roads and Transportation Department* to support development efforts. The marine transportation program was created as a part of those activities.

The purpose of the Department's Marine Highway Program is to implement marine transportation policies, strategic priorities, goals and strategies identified in the LRTP and approved by the Tribe. This *Tribal Marine Transportation Plan* is the next step in the planning and development process. In this plan, we:

- Examine the Alaska Marine Highway System as it exists today, including trends;

- Examine state and federal transportation laws, regulations, and policies affecting marine transportation services in the region;
- Examine the socio-economics impacts of governmental transportation policies, programs, and services on Southeast Native communities;
- Identify gaps in between marine transportation services and community needs;
- Develop specific strategies for meeting local and regional needs; and
- Further delineate the tribal marine transportation policy.

In this plan, we present demographic information on our tribal communities (Section II). Sections III, IV lay out the tribal policies, priorities, strategies, and programs developed by the Department as a result of its assessment activities. In Section V we begin to identify community needs by comparing projects in the state work queue with projects on community priority lists. Sections VI through VIII outline our assessment of the existing transportation system. Our conclusions are detailed in Section IX. The Department also examined various management scenarios to support longer term operations; that material is presented in Section X. Section XI contains a list of marine transportation resources.

B. The Tribal Relationship to the Federal and State Governments

Government-to-Government Relationship - The relationship between federally recognized tribes and the United States is one between sovereigns, i.e., between a government and a government. This “government-to-government” principle, which is grounded in the United States Constitution, has helped to shape the long history of relations between the federal government and these tribal nations.

Trust Responsibility - The federal Indian trust responsibility is also a legally enforceable fiduciary obligation on the part of the United States to protect tribal treaty rights, lands, assets, and resources, as well as a duty to carry out the mandates of federal law with respect to American Indian and Alaska Native tribes and villages. In several cases discussing the trust responsibility, the Supreme Court has used language suggesting that it entails legal duties, moral obligations, and the fulfillment of understandings and expectations that have arisen over the entire course of the relationship between the United States and the federally recognized tribes.

Tribal Consultation – President Clinton issued an executive order establishing regular and meaningful consultation and collaboration between tribal nations and the federal government. Consequently, federal agencies are required to consult with tribes regarding policy and regulatory matters. On November 5, 2009 President Barack Obama signed a presidential memorandum giving every Cabinet agency 90 days to deliver their plans detailing the full implementation of the executive order and how they're going to improve tribal consultation.

C. The Presidential Commitment

On November 5, 2009 President Obama met with tribal leaders at a Tribal Nations Conference in Washington, D.C. to discuss the status of First Nations peoples and their relationship with the Federal Government. We have excerpted the President’s remarks from a transcript of the session because they represent a commitment from him:

“... few have been more marginalized and ignored by Washington for as long as Native Americans -- our First Americans. We know the history that we share. It's a history marked by violence and disease and deprivation. Treaties were violated. Promises were broken. You were told your lands, your religion, your culture, your language were not yours to keep. And that's a history that we've got to acknowledge if we are to move forward.

And that's why I want you to know that I'm absolutely committed to moving forward with you and forging a new and better future together. It's a commitment that's deeper than our unique nation-to-nation relationship. It's a commitment to getting this relationship right, so that you can be full partners in the American economy, and so your children and your grandchildren can have a equal shot at pursuing the American Dream.

A major step toward living up to that responsibility is the presidential memorandum that I'll be signing at this desk in just a few moments. In the final years of his administration, President Clinton issued an executive order establishing regular and meaningful consultation and collaboration between your nations and the federal government. But over the past nine years, only a few agencies have made an effort to implement that executive order -- and it's time for that to change. The memorandum I'll sign directs every Cabinet agency to give me a detailed plan within 90 days detailing the full implementation of that executive order and how we're going to improve tribal consultation.

I know what it means to feel ignored and forgotten, and what it means to struggle. So you will not be forgotten as long as I'm in this White House.”

D. Federal Mandates

U.S. Department of Transportation (DOT) is responsible for the development of transportation policies and programs that contribute to fast, safe, efficient and convenient transportation at the lowest cost consistent with the national objectives of general welfare, economic growth and stability, national security, and the efficient use and conservation of federal resources. DOT is comprised of the Office of the Secretary, the Surface Transportation Board, the Office of the Inspector General and 10 operating administrations. The Federal Highway Administration, the Federal Transit Administration and the Maritime Administration are key agencies for the purposes of this tribal plan.

The Federal Highway Administration (FHWA) is charged with the broad responsibility of ensuring that America's roads and highways continue to be the safest and most technologically up-to-date. Although state, local, and tribal governments own most of the nation's highways, the Administration provides financial and technical support for constructing, improving, and preserving America's highway system. The annual budget of \$30+ billion is funded by fuel and motor vehicle excise taxes and is primarily divided between two programs: Federal-aid funding to state and local governments; and Federal Lands Highways funding for national parks, national forests, Indian lands, and other land under Federal stewardship. One of the programs jointly administered by FHWA and the BIA is the Federal Lands Indian Reservation Roads/Bridges (IRR) Program, which addresses transportation needs of tribes by providing funds for planning,

designing, construction, and maintenance activities. *CCTHITA Roads and Transportation* manages an IRR program.

The Federal Transit Administration (FTA) provides stewardship of combined formula and discretionary programs totaling more than \$10B to support a variety of locally planned, constructed, and operated public transportation systems throughout the United States. Transportation systems typically include buses, subways, light rail, commuter rail, streetcars, monorail, passenger ferryboats, inclined railways, or people movers. This *Tribal Marine Transportation Plan* is funded by a FTA Region 10 Tribal Transit Planning grant.

The Maritime Administration (MARAD) promotes the use of waterborne transportation and its seamless integration with other segments of the transportation system, and the viability of the U.S. merchant marine. MARAD works in many areas involving ships and shipping, shipbuilding, port operations, vessel operations, national security, environment, and safety. It also maintains a fleet of cargo ships in reserve to provide surge sealift during war and national emergencies. The Administration recently realigned many of its functions, to revitalize its role as an industry facilitator, and to bring greater focus to the areas of environment and safety. The Tribe continues to seek opportunities to work with MARAD.

The national *DOT 2006-2011 Strategic Plan* stipulates a strategy of working proactively with tribes, states, local governments, industry and other transportation stakeholders to seek integrated approaches to resolving transportation issues, support community needs and give full consideration to local environmental conditions. Tribal efforts are consistent with this national transportation objective.

E. State Mandates¹

Alaska Statute 44.42.050 directs the Commissioner of the Alaska Department of Transportation and Public Facilities (ADOTPF) to develop a comprehensive, inter-modal, long-range transportation plan for the state. The statute also describes the requirements for the use of federal funds and the process for developing and/or updating the plan. The statewide planning process includes the long-range plan, regional plans, modal plans, and lower tier plans. Together these plans make up the overall statewide plan through which all the regulatory requirements are addressed. Alaska recently completed its *Statewide Long-Range Transportation Plan for 2008 through 2030*, also called *Let's Get Moving 2030*.

Except for required matches, Alaska is almost entirely dependent on federal funds. Consequently, federal transportation requirements play a defining role in transportation planning and management. The Federal Government requires:

- Continuing, cooperative and comprehensive statewide transportation planning processes, in which there are clear links between policy, planning evaluation, and the investments that are made;
- States to prepare twenty-year plans that take into consideration eight national objectives; and.

¹ Source: *Statewide Long-Range Transportation Plan for 2008- 2030*.

- o Tribal Consultation pursuant to 23 CFR 134 and 23 CFR 135, which establish consultation requirements with tribes through the Statewide and Metropolitan planning and program processes.

Tribal Authority - Because the Constitution vested the Legislative Branch with plenary power over Indian Affairs, states have no authority over tribal governments unless expressly authorized by Congress. While federally recognized tribes generally are not subordinate to states, they can have a government-to-government relationship with other sovereigns.

F. Tribal Consultation Requirements²

The data in this section was pulled directly from the DOT Federal Highway Administration website. This table summarizes the consultation and public involvement statutory/regulatory requirements for working with Tribes (August 2007):

| Action | Description | Statutory/Regulatory References |
|---|--|---|
| Statewide Transportation Planning | Defines distinct forms of cooperation or consultation to be undertaken by the states in the development of statewide long-range transportation plans and Statewide Transportation Improvement Programs with Indian tribal areas and the Secretary of Interior. Discussion on environmental mitigation activities of the long-range transportation plan shall be developed in consultation with tribes. | 23 U.S.C. 135(e)-(g) 23 U.S.C 135 (f)(4)(B) 23 CFR 450.104; 450.208(a)(5); 450.210(a); 450.214(h); 450.216(a) |
| Metropolitan Transportation Planning | Requires that where a metropolitan planning area includes federal public lands and/or Indian tribal lands, the affected federal agencies and Indian tribal governments shall be involved appropriately in the development of transportation plans and programs. Discussion on environmental mitigation activities of the long-range transportation plan shall be developed in consultation with tribes. The Transportation Management Area (TMA) Planning Certification Review is an oversight opportunity for FHWA/FTA to ensure that the metropolitan planning process in each TMA is being carried out in accordance with applicable provisions of federal law. | 23 U.S.C. 134(j)(3)(B) 23 U.S.C. 134(i)(2)(B)(ii) 23 U.S.C. 134(k)(5) 23 U.S.C. 101(a)(23) 23 CFR 450.104; 450.202; 450.312(i); 450.330(a) |
| Indian Reservation Roads Program | Defines consultation as "government-to-government communication in a timely manner by all parties about a proposed or contemplated decision in order to (1) Secure meaningful tribal input and involvement in the decision-making process; and (2) Advise the tribe of the final decision and provide an explanation." | 25 CFR 170.100 - 108 25 CFR 170.412-415 25 CFR 170.424 25 CFR 170.435 - 441 |
| Non-Metropolitan Local Official Consultation | Requires States to document their consultation process with non-metropolitan local officials that provides for their participation in statewide transportation planning and programming and that is separate and discrete from the public involvement process. This requirement does not specifically | 23 U.S.C. 135 23 CFR/49 CFR 450.104; 450.208(a)(4); 450.210; 450.214; 450.216; 450.224 |

² Source: DOT Federal Highway Administration website at <http://www.fhwa.dot.gov/HEP/tribaltrans/consult.htm>.

| | | |
|------------------------------|--|--|
| | include Tribal areas. However, it does not preclude the State DOT from opting to include Tribal areas as part of their non-metropolitan local official consultation processes. In fact, several States have decided to take that approach. While acceptable, this would not take the place of the requirement for States to engage in separate and discrete consultation with Indian Tribal areas in the development of Statewide transportation plans and programs. | |
| Historic Preservation | The 1992 Amendments to the National Historic Preservation Act (NHPA) requires all Federal agencies to consult with Indian Tribes or Native Hawaiian organizations for undertakings, which may affect properties of traditional religious and cultural significance on or off Tribal lands. The Section 106 regulations state that "the agency official shall ensure that consultation in the Section 106 process provides the Indian Tribe or Native Hawaiian organization a reasonable opportunity to identify its concerns about historic properties, including those of traditional religious and cultural importance, articulate its views on the undertaking's effects on such properties, and participate in the resolution of adverse effects." | Section 106 regulations (36 CFR Part 800) implementing NHPA were revised on January 11, 2001 to reflect this change (see 36 CFR 800.2(c)(2)(ii)(A)). |
| Public Involvement | Requires that metropolitan and statewide transportation decisions consider a wide array of factors including land use impacts and "the overall social, economic, energy, and environmental effects of transportation decisions." Public input is essential in adequately considering such effects. Prior to adopting plans or programs, the MPO or State DOT are required to provide citizens, affected public agencies, representatives of transportation agency employees, private providers of transportation, other affected employee representatives, and other interested parties with a reasonable opportunity to comment. The new IRR Rule found in 25 CFR identifies a set of criteria for the BIA and Tribes around public hearings. The tribe or BIA, after consultation with the appropriate tribe and other agencies will determine need for a public hearing (based on the criteria) for IRRTIP, long-range transportation plan or project. Also, required is a public review of the draft IRR long-range transportation plan. | Statewide Planning 23 U.S.C. 135 23 CFR 450.210 Metropolitan Planning 23 U.S.C. 134 49 U.S.C. 5303, 5304, 5305 23 CFR 450.316(b); 450.318(b); 450.322(g); 450.324(b) IRR Public Hearings/Review 25 CFR 170.435 to 170.441 25 CFR 170.413 Project Development 23 U.S.C. 128 23 CFR 771.111(h) 40 CFR 1501.7; and 40 CFR 1506.6 |

G. Community Mandates

The importance of transportation and infrastructure development to local economic growth keeps both at the top of community priority lists. Over the years, rural communities have engaged in efforts, individually and collectively through regional organizations such as CCTHITA, the Alaska Native Brotherhood and Sisterhood Grand Camp and Southeast Conference, to get improved services and encountered the following: difficulty in accessing federal funds; lack of technical capacity to advance projects; lack of local funding to match federal and state funds; limited or no state funding for local roads; and difficulty in establishing partnerships on projects.

The tribal Roads and Transportation Department is committed to helping communities to overcome these barriers.

CCTHITA works with Southeast Conference to develop the regional *Comprehensive Economic Development Strategy (CEDS)* - an effort that meets Economic Development Administration local planning requirements. Community projects listed in the CEDS get weighted consideration in the EDA funding process. Marine transportation projects prioritized by communities in the *2009 CEDS Update* are listed in Section IV.C of this plan.

Southeast Conference was organized by communities in 1958 to advocate for establishment of the Alaska Marine Highway System. Its 140 members include 28 communities, 9 chambers of commerce, 9 native organizations, 18 non-profits and community organizations, and 9 transportation organizations. While its mission has expanded, Southeast communities and regional organizations continue to list ‘community development’ as the number one goal under which the primary objective is ‘infrastructure development.’ Detailed strategies include:

- Prohibit substantive amendments to the Southeast Alaska Transportation Plan without the concurrence of the affected communities.
- Encourage more community and private sector participation in the operation and maintenance of public facilities and transportation services.
- Encourage the establishment of local and regional authorities to develop and operate transportation facilities and services.
- Promote inclusion of Yakutat in the Southeast Alaska Transportation Plan.
- Advocate for full exploration of all potential highway corridors for linking Southeast with the mainland highway system.

As we prepare to move into 2010, tribal and community councils are becoming even more alarmed about decreasing services and increasing costs making it more and more difficult to live in rural communities. For that reason, they have committed to work with CCTHITA to address their marine transportation concerns (see resolutions at Appendix B and C).

H. Planning Factors & Process

1. Relationship to the Tribe’s Long Term Transportation Plan (LTTP)

The *CCTHITA Long Range Transportation Plan* sets the transportation policy and direction for the Tribe’s Roads and Transportation Department endeavors, and also meets IRR requirements for the establishment of tribal long-range transportation plans (IRR final rule, 25 CFR 170.410-415). The purpose of the LTTP is to lay out a transportation strategy, through which the Tribe can begin to fill the gaps in air, roads, and marine transportation services not provided by the state and private sector in Southeast Alaska. The *Tribal Marine Transportation Plan* is designed to be consistent with and to implement that tribally approved direction. It provides detailed approaches and strategies for marine transportation options.

2. Relationship to the Alaska Statewide Long Range Transportation Policy Plan

The State of Alaska recently completed its *Statewide Long Range Transportation Policy Plan* and is in the process of updating the *Southeast Alaska Transportation Plan*, the Southeast regional component to the statewide plan. As the State of Alaska currently operates the Alaska Marine Highway System, the statewide plan outlines the future of marine transportation for the communities, while the regional plan lays out the details of state-provided marine transportation services over the shorter term. The statewide plan has specified no increases in services.

The statewide plan, and its regional, sub-tier plans and supporting studies, also represent a significant resource in terms of transportation data and systemic information, which can be used in the *Roads and Transportation Department's* assessment process. In addition, it is the Tribe's intent to ensure that transportation projects are cooperative with state and federal efforts.

3. Technical Approach

The Department has used the IRR Final Rule found at 25 CFR 170.410-415 to guide in the development of this long range plan. The regulations prescribe 20-year plans to assist in tribal transportation decision-making and stipulate public involvement in the plan process. Additional information on these legal requirements can be found under FHA/FTA rules and regulations at (23 USC 134 & 135, 23 CFR/49 CFR 450.214 & 450.322).

The Department will assess transportation systems, including regulatory, policy, administrative and operational data, with an eye to tribal and community needs.

4. Tribal and Community Involvement

The partnership with stakeholders is vital to the success of the tribal plan. Therefore a very broad base of public involvement is included in the planning process. Target community tribes and municipalities have selected contacts for their communities. These representatives will comprise the *Transportation Working Group* and are responsible for overseeing the development of this plan and later project development activities. To date, four major public meetings have been held with a total of 200 participants.

I. Tribal Ability to Implement the Plan

As a service provider, the Central Council has a solid track record with well-established support systems. As a sovereign entity, it has an excellent history of political stability and a well-established government-to-government relationship with the United States.

As a tribal government for the Tlingit and Haida peoples, CCTHITA's jurisdiction extends to tribal communities in the Southeast Alaska region. However its commitment to its tribal members extends throughout the United States wherever Tlingits and Haidas reside. By tribal resolution, Angoon, Craig, Douglas, Haines, Juneau, Kasaan, Klawock, Petersburg, Saxman, Skagway and Wrangell have agreed to function as a consortium of tribes and have authorized

CCTHITA to compact with the United States Government on their behalf. Douglas and Saxman are participating in a Roads and Transportation Consortium with the CCTHITA Roads and Transportation Department.

Administratively - Through its Juneau Headquarters, CCTHITA offers a wide range of individual and community services through various departments and programs, including Roads and Transportation, Business and Economic Development, Head Start, Higher Education, Employment and Training, Native Lands and Resources, Tribal Family and Youth Services, Tribal Energy, Tribal Operations, Tribal Government, Self-Governance, and Program Compliance. CCTHITA also operates a regional Vocational Training and Resource Center. We administer more than 50 programs supported by over 200 grants and an annual budget of \$27 million.

The tribal organization's 35+ years of experience in operating regional programs and services have led to well-developed, efficient administrative and program structures and systems. The tribal Finance Department uses fund accounting to ensure compliance with policy, grant, and financial requirements. We are audited annually.

Management/Technical Support - The Department's current focus is to assess transportation systems and community needs so that it can begin collaboration with communities to develop strategies for filling the gaps between needs and resources. Concurrent with that, we are pushing a pilot 'short sea' project which will put CCTHITA into the Southeast marine services arena. These efforts are consistent with tribal transportation plans that are now being formalized and with community resolutions submitted to and approved by the CCTHITA General Assembly. This *Tribal Marine Transportation Plan* will be presented to the CCTHITA general assembly in the spring of 2010 for approval.

The Department believes that it will be able to develop meaningful transportation solutions due to staff expertise and familiarity with rural challenges. Areas of department involvement and capability:

- Administration of transportation programs including the management of BIA Compact, IRR and FTA Tribal Transit funding;
- IRR tribal planning, designing, construction and maintenance activities;
- Development of transportation plans including the tribal Long Range Transportation Plan (LRTP), the Tribal Marine Transportation Plan (TMTP), and the freight plan;
- Transportation planning for highways, bridges, marine systems and airports including route/scheduling analysis, transportation analysis, transportation improvement planning, transportation priority analysis, road and marine traffic measurement, etc.;
- Transportation maintenance to support highway, bridge, marine and airport projects, including inventory tracking/maintenance to protect investments;
- Transportation research to support highway, bridge, marine and airport projects, including such topics as short sea projects, fast ferries, freight analysis, privatization, etc.;
- Technical assessment of systems and operations to support highway, bridge, marine and airports projects, including such efforts as the recent assessment of state and federal transportation systems;

- Project management includes a strong awareness of design and construction requirements and excellent management/coordination skills;
- Development of public and private partnerships, including partnerships with state and federal agencies, with other tribes, and with private businesses; the Department is currently partnered with the communities of Saxman and Douglas in the IRR Program and with Allen Marine, Inc. in the Marine Transportation Program.
- Collaborative efforts and experienced public outreach including the crafting of media messages and the conduct of meetings at the regional and local levels;
- Transit planning for local public transportation systems including passenger ferryboats.

Marine Transportation Operations Management – Developing marine transportation services and resources is a challenging business. To give the departmental development efforts the best chance for success, we will acquire the necessary expertise through hire or partnership.

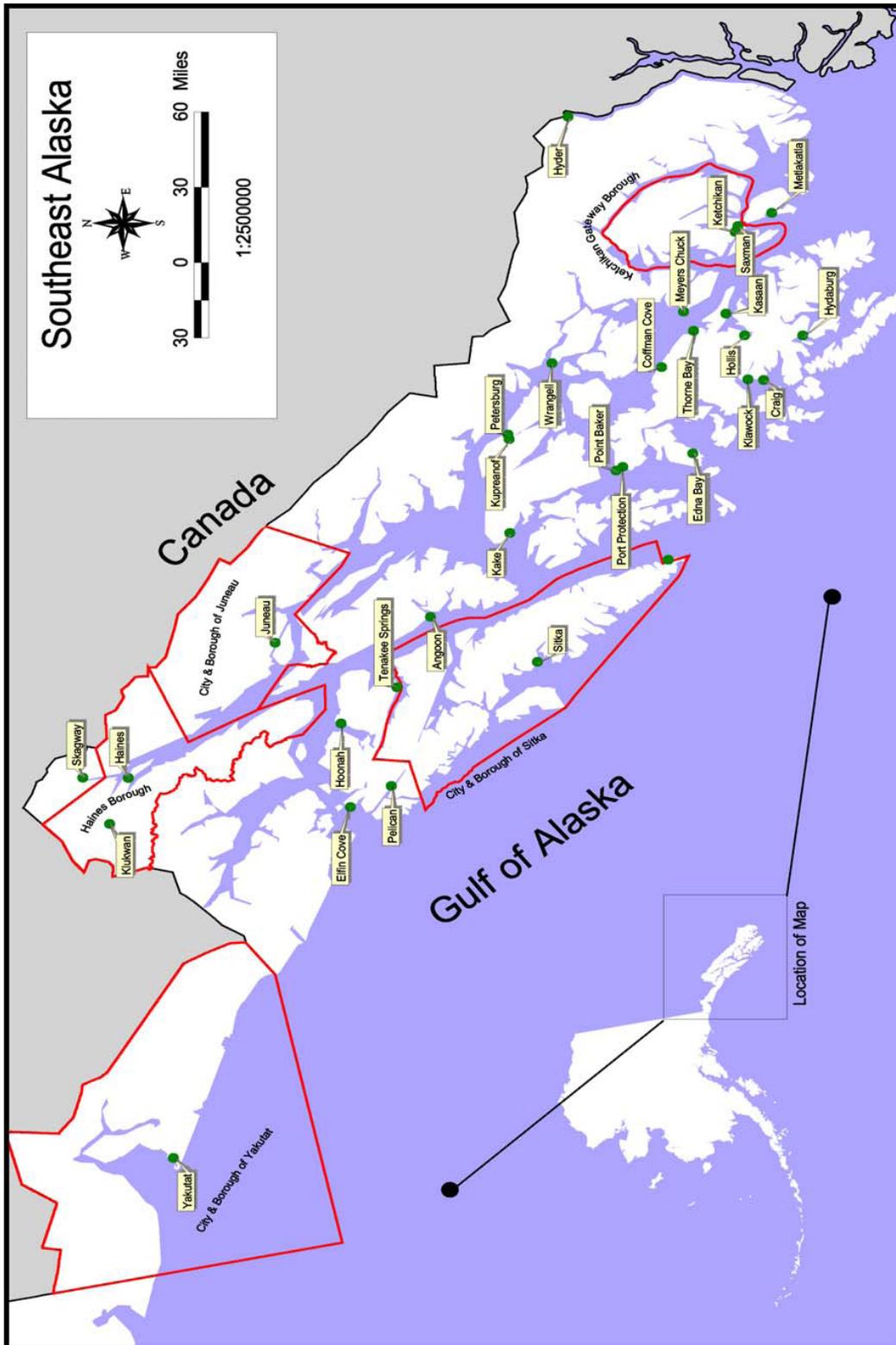
Private Partner - Currently, we are partnered with Allen Marine, Inc., a privately owned business that has been designing and building boats, bridges, ramps, and floats, and doing custom fabrication since 1967. From 1999 to 2003 Allen Marine, Inc. designed and built 19 fast ferries (thirteen 78' aluminum catamarans and six 65' aluminum monohulls) for New York Harbor.

“Perhaps the most unique aspect of our company is that we don’t just build vessels but we operate them as well. Today, we operate a fleet of twenty-eight vessels in the Alaska tourism business. Allen Marine continually uses the experience gained from these operations to fine tune our vessel designs and systems to best meet the needs of our operators and passengers.” - David C. Allen, President



II. DESCRIPTION OF THE REGION – GEOGRAPHIC & SOCIOECONOMIC

A. Regional Map



B. General Description of the Region³

Southeast Alaska is a part of the Alexander Archipelago and encompasses about seven percent (7%) of Alaska's total land area. The region is made up of a narrow mainland strip of steep rugged mountains and ice fields, and over 1,000 offshore islands. Together, the islands and mainland equal nearly 11,000 miles of meandering shoreline, with numerous bays and coves. A system of seaways separate the many islands and provide a protected waterway called the Inside Passage.

Approximately 73,000 people live in 32 towns, communities, and villages located on islands or along the mainland coasts; twenty-three are incorporated. In 2005, only four of those 32 communities met the U.S. Census Bureau's definition of urban (population greater than 2,500) and only eight had populations greater than 1,000 persons. Just three towns are connected to other parts of the mainland by road: Haines and Skagway to the north and Hyder to the south.

Federal lands comprise about 95 percent of Southeast Alaska, with 80% of it in the 16.8 million acre Tongass National Forest and 15% in Glacier Bay National Park and Preserve. The remaining land is held in state, Native and community private ownerships.

Most of the area is wild and undeveloped, but the resources of the forest and water are rich, abundant and important to the regional and local economies. Village economies, in particular, are subsistence based. The forestland and waters and accompanying resources are also very important to Tlingits and Haidas, whose cultures have evolved around the use of those resources over thousands of years.

C. The Southeast Alaska Economic Situation

Economic Challenges - Timber, fisheries and tourism are key industries in the Southeast Alaska region. Here is a snapshot of the challenges in those industry areas.

Most of the region's timber supply is in the Tongass National Forest, which occupies about 80% of the region. That operable timber base kept the timber industry thriving until a number of dynamic changes in the forest regulatory environment and a number of legal challenges set off a series of plan revisions and environmental assessments. Key among those changes: the 1990 Tongass Timber Reform Act, congressional action on the wilderness issue, and a 2005 ruling by the Ninth Circuit Court that there were inadequacies relating to the NEPA process.

Changes in the global marketplace combined with the new regulatory regime to cripple the harvest effort. Historically, the timber industry provided about 4,000 jobs in the region; today it only provides about 450 jobs. These lost jobs represent over \$1 billion in lost payroll in the last ten years. Wood processing plants have closed in Sitka, Haines, Ketchikan, Metlakatla, and Wrangell. Alaska Pulp Corporation closed its Sitka operations in 1993 and Wrangell operations in 1994; Ketchikan Pulp Corporation operations closed in 1997, 1998, and 1999.⁴ Recent industry reports indicate that the southeast timber manufacturing industry is at its lowest point in

³ Source: Tongass Forest Plan, 2008.

⁴ Source: 2004 SATP

half a century and that federal timber supply must grow in order for the industry to become healthy again.⁵ However, it will take some time to sort out the issues tying up Tongass timber.

Almost 40% of all fish harvested in the U.S. comes from Alaska. The value of Alaska's 2008 fish harvest was a record \$1.7 billion, higher than the previous record from 1992. The industry provides an average of 16,000 jobs each month and employs more than 52,000 workers at some time during the year in harvesting or processing. However, 46% of licensed crewmembers and 74% of seafood processing workers are nonresidents.⁶ We are also seeing an outmigration of licenses and quota share from rural areas in particular and from the state in general, as fish and wildlife agencies continue to restrict entry into fisheries and to privatize resources.

After years of growth in the tourism industry, the outlook for the 2009 season is uncertain. The global economic downturn has cruise lines heavily discounting fares to fill the ships that bring the majority of visitors to Alaska.⁷ Of course, most tourism activity centers on urban areas, and cruise ship operators, who bring in the bulk of the tourists, package tours so that most of the economic benefit is to the cruise ship company.

Rural Challenges - The Denali Commission, a key government rural provider in Alaska, has listed these challenges to the development and economic self-sufficiency of rural communities: geography and climate; isolation; unemployment; high cost and low standard of living; and infrastructure issues. They acknowledge that 'the level of infrastructure needed is yet to be determined (unknown) and the scope and scale of infrastructure issues facing rural Alaska is staggering'. This is no less true in Southeast where rural village communities are on islands separated from the mainland and urban centers. As the marine highway is the key way of moving people, automobiles, and goods in and out of communities, any changes to those services has pronounced effect on rural populations.

Angoon, Edna Bay, Elfin Cove, Excursion Inlet, Hobart Bay, Haines, Hydaburg, Hyder, Kake, Klukwan, Meyers Chuck, Pelican, Port Alexander, Port Graham, Port Protection, Tenakee Springs, Thorn Bay and Wrangell are on the Denali Commission 2009 *Distressed Community* list.

The sharp rise of fuel prices in 2008 substantially increased the costs of living in rural Alaska and raised concerns as to whether Alaska's rural residents could endure such hardship and maintain village residence. Overall, since November 2005, the statewide average cost of heating fuel has increased 54% from \$3.48; the statewide average cost of gasoline has increased 40% from \$3.83.⁸ Many remote rural Alaska communities purchased most or all of this winter's fuel at peak prices during June and July 2008, and some communities are still selling this high-cost fuel.

Municipalities and tribal governments represent a key piece of the employment and service picture in small communities and they are operating on ever-shrinking budgets, severely limiting their ability to push economic development projects forward. Although the economic situation

⁵ Source: Southeast Conference and Alaska Chamber of Commerce reports.

⁶ Source: Alaska Economic Trends, November 2009. Alaska Department Labor & Workforce Development.

⁷ Source: Anchorage Daily News article reporting on *The Great Alaska Sportsman Show*, April 4th, 2009.

⁸ *Report to the Director: Fuel Prices Across Alaska, July 2009*. DCRA Research and Analysis Section.

has worsened since 2005, we are citing statistics on municipalities pulled from an Alaska Municipal League report issued in that year: 13 cities are no longer functioning, 18 cities are in deep debt, and 39 cities had terminated key local services (police, road/utility/facility maintenance). Identified among the contributing factors were:

- Lack of a tax base- a chronic and obvious problem
- Inability to raise even minimum dollars
- Financial inequities seen in the provision of education
- Question of village, as well as individual, survival is a critical one
- Extremely high costs: gas was \$5.15 to \$6.00 per gallon.
- Loss of Municipal State Revenue Sharing

Native Challenges - To help the reader understand the added challenges faced by Alaska Natives, we examined a 2004 Status of Alaska Natives Report prepared by UAA Institute of Social and Economic Research (ISER) titled *Status of Alaska Natives*. That 2004 report marks the first comprehensive look at conditions among Alaska Natives since 1989. ISER found some changes for the better, some persistent problems, and some new challenges.

- Natives gained more than 8000 jobs between 1990 and 2000, but only 35% are full time and year round.
- Despite job gains, the number of unemployed Natives increased 35% from 1990 to 2000.
- Incomes of Natives remain just 50 to 60% of other Alaskans, despite gains. Transfer payments are a growing share of Native income.
- Natives are three times as likely as other Alaskans to be poor.
- Half the Native families below the poverty line are headed by women. Many Alaska children are growing up in families headed by women, but the share is about a third larger in Native families.
- All the economic problems Natives face are worst in remote areas where living costs are highest.
- Native education levels continue to rise, but haven't yet reached those among other Alaskans. Native students are more likely to drop out of school and less likely to pass standard tests.
- Alaska Natives are increasingly urban. About 42 percent live in urban areas now, and that share could reach more than 50 percent by 2020.
- Alcohol continues to fuel high rates of domestic violence, child abuse, and violent death in the Native community. But two thirds of small villages have imposed local controls on alcohol.

D. Population⁹

In May 2008, the Institute of Social and Economic Research spearheaded research that found the current rural migration to urban centers to be the continuation of a long lasting trend. The scarcity of jobs combined with low earnings was cited as the principal reason for rural residents

⁹ Source: *Alaska's Rural Population and School Population Trends, April 2009*. DCRA Research & Analysis Section.

moving to urban centers. The sharp rise of fuel prices in 2008 raised additional concerns and lead to another study lead by the Alaska Division of Community and Regional Affairs. Those study conclusions are summarized here.

Regional Trends 2000-2008: Although most of Alaska’s rural regions lost population between Census 2000 and 2008, impacts differed by region. By far, rural Southeast Alaska lost the most people, absorbing 69% of the total rural population decline. In just eight years its population fell by 3,596 persons and the regional population base eroded by 8.5% from 2000. Hardest hit areas were the Ketchikan Gateway Borough and the Prince of Wales–Outer Ketchikan Census Area each posting a decline of 1,066 and 797 persons respectively. Alaska’s least populated area, the Yakutat Borough, was impacted the most with a 27% drop from the population base in 2000.

DCRA Report Conclusions: Alaska’s rural population is declining. Overall, rural Alaska has been experiencing lower birthrates than in past decades. Outmigration from rural Alaska has accelerated and natural increase in many areas has not offset the population losses. Moreover, changes in demographics point at the aging of rural residents. School population in rural Alaska has declined, much stronger than overall population. Since 2000, hub schools have lost the most students but rural school student counts have also fallen. This suggests that the overall population decline in rural Alaska will continue.

Statistics pulled by the *Roads and Transportation Department* support these conclusions. Because our target communities are Tlingit and Haida communities, we have also included Alaska Native numbers in our population figures.¹⁰

| <i>Community</i> | <i>2008 State Est.</i> | <i>2000 Pop.</i> | <i>#Natives in 2000</i> | <i>%Natives in 2000</i> |
|------------------------|------------------------|------------------|-------------------------|-------------------------|
| <i>Angoon</i> | <i>430</i> | <i>572</i> | <i>469</i> | <i>86.4%</i> |
| <i>Craig</i> | <i>1,117</i> | <i>1,397</i> | <i>303</i> | <i>30.9%</i> |
| <i>Haines</i> | <i>1,475</i> | <i>1,811</i> | <i>251</i> | <i>18.5%</i> |
| <i>Hoonah</i> | <i>823</i> | <i>860</i> | <i>521</i> | <i>69.4%</i> |
| <i>Hydaburg</i> | <i>341</i> | <i>382</i> | <i>325</i> | <i>89.5%</i> |
| <i>Juneau</i> | <i>30,427</i> | <i>30,711</i> | <i>3,496</i> | <i>16.6%</i> |
| <i>Kake</i> | <i>519</i> | <i>710</i> | <i>474</i> | <i>74.6%</i> |
| <i>Kasaan</i> | <i>54</i> | <i>39</i> | <i>15</i> | <i>48.7%</i> |
| <i>Klawock</i> | <i>785</i> | <i>854</i> | <i>435</i> | <i>58.1%</i> |
| <i>Klukwan</i> | <i>102</i> | <i>139</i> | <i>123</i> | <i>88.5%</i> |
| <i>Pelican</i> | <i>113</i> | <i>163</i> | <i>35</i> | <i>25.8%</i> |
| <i>Petersburg</i> | <i>3,009</i> | <i>3,224</i> | <i>232</i> | <i>12.0%</i> |
| <i>Saxman</i> | <i>420</i> | <i>431</i> | <i>285</i> | <i>70.1%</i> |
| <i>Sitka</i> | <i>8,615</i> | <i>8,835</i> | <i>1,641</i> | <i>24.7%</i> |
| <i>Skagway</i> | <i>846</i> | <i>862</i> | <i>26</i> | <i>5.1%</i> |
| <i>Tenakee Springs</i> | <i>99</i> | <i>104</i> | <i>3</i> | <i>4.8%</i> |
| <i>Wrangell</i> | <i>2,112</i> | <i>2308</i> | <i>358</i> | <i>15.5%</i> |
| <i>Yakutat</i> | <i>590</i> | <i>808</i> | <i>320</i> | <i>46.8%</i> |

¹⁰ Source: 2000 Census data and 2008 DCCED Certified Population figures.

E. Unemployment Rates¹¹

In reviewing this information, it is important to remember that the unemployment rate is based on the number of individuals receiving unemployment insurance and adjusted by the number of workers identified as ‘not employed but seeking work’. That measure does not reflect what is happening in the typical rural situation where individuals are in the labor force and may not seeking work because there are no jobs. For that reason, we have also included the figures for the number of ‘adults in the work force who are not working and not seeking work’.

It is also important to keep in mind that unemployment figures are calculated and presented by borough/census areas. This means that smaller community rates are a composite of the census area average rate. The resulting economic picture is more reflective of what is happening in urban centers in the same census area. Saxman, Kake, Klukwan, and Tenakee Springs are examples of this. See the differences between the 2000 Census data and the 2008 composite ADOL data.

| | <i>2000 Census Unemp. Rate</i> | <i>2000 Census # Adults Not Seeking</i> | <i>2000 Census Unemployed + Not Seeking</i> | <i>2008 ADOL Unemp. Rate</i> |
|------------------------|------------------------------------|---|---|----------------------------------|
| <i>Angoon</i> | <i>13%</i> | <i>168</i> | <i>50%</i> | <i>13.0%</i> |
| <i>Craig</i> | <i>9%</i> | <i>233</i> | <i>29.7%</i> | <i>14.1%</i> |
| <i>Haines</i> | <i>13.6%</i> | <i>488</i> | <i>44.1%</i> | <i>8.9%</i> |
| <i>Hoonah</i> | <i>20.5%</i> | <i>257</i> | <i>51.7%</i> | <i>13.0%</i> |
| <i>Hydaburg</i> | <i>31.3%</i> | <i>136</i> | <i>66.3%</i> | <i>14.1%</i> |
| <i>Juneau</i> | <i>5.4%</i> | <i>5,719</i> | <i>28.5%</i> | <i>4.8%</i> |
| <i>Kake</i> | <i>24.9%</i> | <i>161</i> | <i>49.5%</i> | <i>5.8%</i> |
| <i>Kasaan</i> | <i>20.0%</i> | <i>14</i> | <i>52.9%</i> | <i>14.1%</i> |
| <i>Klawock</i> | <i>15.7%</i> | <i>175</i> | <i>39.6%</i> | <i>14.1%</i> |
| <i>Klukwan</i> | <i>44.9%</i> | <i>37</i> | <i>66.3%</i> | <i>8.9%</i> |
| <i>Pelican</i> | <i>8%</i> | <i>37</i> | <i>34.7%</i> | <i>7.3%</i> |
| <i>Petersburg</i> | <i>10.3%</i> | <i>701</i> | <i>36.4%</i> | <i>10.6%</i> |
| <i>Saxman</i> | <i>25.6%</i> | <i>115</i> | <i>47.9%</i> | <i>5.9%</i> |
| <i>Sitka</i> | <i>7.8%</i> | <i>1766</i> | <i>31.8%</i> | <i>5.8%</i> |
| <i>Skagway</i> | <i>14.1%</i> | <i>149</i> | <i>32.2%</i> | <i>13.0%</i> |
| <i>Tenakee Springs</i> | <i>13.7%</i> | <i>19</i> | <i>37.1%</i> | <i>7.3%</i> |
| <i>Wrangell</i> | <i>8.5%</i> | <i>530</i> | <i>36.8%</i> | <i>10.6%</i> |
| <i>Yakutat</i> | <i>7.8%</i> | <i>136</i> | <i>28.2%</i> | <i>7.5%</i> |

F. Median Household Income¹²

All target communities have median household incomes that are considerably less than the 2000 state MHI of \$51,571 and there are a significant number of poverty level households. On average, the 2000 median household income in these communities is 12.4% lower than the 2000 median state income. In the next section, we have presented cost of living information that will help the reader more fully understand the economic challenges in rural communities where residents have less income and higher costs than most places in the nation.

¹¹ Source: 2000 Census and Alaska Department of Labor.

¹² Source: 2000 Census and the DCCED Community Database Online.

| | <i>2000 Census Median Household Income</i> | <i>% Below 2000 Median State Income of \$51,571</i> | <i>2000 Census Percentage of Poverty Households</i> |
|------------------------|--|---|---|
| <i>Angoon</i> | <i>\$29,861</i> | <i>43.06%</i> | <i>27.9%</i> |
| <i>Craig</i> | <i>\$45,298</i> | <i>12.16%</i> | <i>9.8%</i> |
| <i>Haines</i> | <i>\$39,926</i> | <i>22.58%</i> | <i>7.9%</i> |
| <i>Hoonah</i> | <i>\$39,028</i> | <i>24.32%</i> | <i>16.6%</i> |
| <i>Hydaburg</i> | <i>\$31,625</i> | <i>38.68%</i> | <i>24.1%</i> |
| <i>Juneau</i> | <i>\$62,034</i> | <i>Exceeds</i> | <i>6.0%</i> |
| <i>Kake</i> | <i>\$39,643</i> | <i>23.13%</i> | <i>14.6%</i> |
| <i>Kasaan</i> | <i>\$43,500</i> | <i>15.65%</i> | <i>0.0%</i> |
| <i>Klawock</i> | <i>\$35,000</i> | <i>32.13%</i> | <i>14.2%</i> |
| <i>Klukwan</i> | <i>\$30,714</i> | <i>40.44%</i> | <i>1.5%</i> |
| <i>Pelican</i> | <i>\$48,750</i> | <i>5.47%</i> | <i>4.7%</i> |
| <i>Petersburg</i> | <i>\$49,028</i> | <i>4.93%</i> | <i>5.0%</i> |
| <i>Saxman</i> | <i>\$44,385</i> | <i>13.93%</i> | <i>12.1%</i> |
| <i>Sitka</i> | <i>\$51,901</i> | <i>.06%</i> | <i>7.8%</i> |
| <i>Skagway</i> | <i>\$49,375</i> | <i>4.26%</i> | <i>3.7%</i> |
| <i>Tenakee Springs</i> | <i>\$33,125</i> | <i>35.77%</i> | <i>11.8%</i> |
| <i>Wrangell</i> | <i>\$43,250</i> | <i>16.14%</i> | <i>7.3%</i> |
| <i>Yakutat</i> | <i>\$46,786</i> | <i>9.28%</i> | <i>13.5%</i> |

G. Distressed Community Status

The distressed community list is prepared by the Alaska Department of Labor and Workforce Development, Research and Analysis Section based on the most current population, employment and earnings data available. The distressed status is determined by comparing average income of a community to full-time minimum wage earnings, the percentage of the population earning greater than full-time minimum wage earnings and a measure of the percentage of the population engaged in year-round wage and salary employment.

| DENALI COMMISSION - Distressed Community Status 2009, Alaska Communities by Borough/Census Area and Place | | | | | | |
|--|---------------------------------------|---------------------------------------|--|---|--|--|
| Communities | 2009 Distressed Status | 2008 Distressed Status | Avg 2008 Earnings From UI Empl. & Fishing | % w 2008 Earnings < Min. Wage of \$14,872 | % Employed All 4 Qtrs of 2008 | Becomes Distressed in 2009 w 3% Formula |
| Haines Borough | | | | | | |
| Covenant Life | Distressed | Distressed | 10,881 | 73.8 | 29.2 | |
| Excursion Inlet | Distressed | Distressed | ND | 76.9 | 15.4 | |
| Haines | Non-Distr. | Non-Distr. | 17,640 | 70.5 | 31.4 | YES |
| Lutak | Distressed | Distressed | 12,377 | 66.7 | 25.0 | |
| Mosquito Lake | Distressed | Distressed | 11,708 | 76.1 | 24.4 | |
| Mud Bay | Distressed | Distressed | 13,501 | 69.5 | 29.7 | |
| Hoonah-Angoon Census Area | | | | | | |
| Angoon | Distressed | Distressed | 11,678 | 72.2 | 31.7 | |
| Elfin Cove | Distressed | Distressed | 38,219 | 87.9 | 24.2 | |
| Game Creek | Distressed | Distressed | ND | 100.0 | 0.0 | |
| Gustavus | Distressed | Distressed | 11,866 | 82.2 | 19.0 | |
| Hobart Bay | Distressed | Distressed | ND | 100.0 | 0.0 | |
| Hoonah | Non-Distr. | Distressed | 16,366 | 72.0 | 31.2 | |
| Klukwan | Distressed | Non-Distr. | 12,394 | 71.1 | 38.9 | |
| Pelican | Distressed | Distressed | 25,854 | 77.6 | 22.4 | |
| Tenakee Springs | Distressed | Distressed | 11,922 | 81.9 | 26.6 | |

| | | | | | | |
|--|------------|------------|--------|-------|------|-----|
| Whitestone Camp | Distressed | Non-Distr. | 8,779 | 85.7 | 14.3 | |
| Juneau Borough | | | | | | |
| Juneau | Non-Distr. | Non-Distr. | 25,495 | 50.7 | 49.8 | |
| Ketchikan Gateway Borough | | | | | | |
| Ketchikan | Non-Distr. | Non-Distr. | 22,973 | 56.2 | 45.0 | |
| Saxman | Non-Distr. | Non-Distr. | 15,142 | 66.9 | 37.0 | |
| Petersburg Census Area | | | | | | |
| Kake | Distressed | Distressed | 14,190 | 71.2 | 36.2 | |
| Kupreanof | Distressed | Distressed | 8,198 | 75.0 | 25.0 | |
| Petersburg | Non-Distr. | Non-Distr. | 35,319 | 69.6 | 33.1 | |
| Port Alexander | Distressed | Distressed | 33,538 | 90.2 | 12.2 | |
| Prince of Wales-Outer Ketchika/Hyder CD | | | | | | |
| Coffman Cove | Non-Distr. | Distressed | 17,621 | 65.2 | 32.6 | |
| Craig | Non-Distr. | Non-Distr. | 23,289 | 65.0 | 38.1 | |
| Edna Bay | Distressed | Distressed | 20,202 | 82.4 | 11.8 | |
| Hollis | Distressed | Distressed | 13,883 | 71.7 | 31.5 | |
| Hydaburg | Distressed | Distressed | 16,977 | 72.5 | 24.8 | |
| Hyder | Distressed | Distressed | 5,692 | 89.6 | 11.7 | |
| Kasaan | Non-Distr. | Distressed | 14,516 | 66.7 | 35.9 | |
| Klawock | Non-Distr. | Non-Distr. | 16,570 | 66.8 | 36.0 | |
| Metlakatla | Non-Distr. | Non-Distr. | 16,528 | 63.7 | 38.0 | |
| Naukatl Bay | Distressed | Distressed | 8,366 | 84.6 | 18.8 | |
| Point Bake | Distressed | Distressed | ND | 91.3 | 13.0 | |
| Port Protection | Distressed | Distressed | 3,037 | 92.6 | 14.8 | |
| Thorn Bay | Distressed | Distressed | 12,986 | 75.3 | 25.8 | |
| Whale Pass | Distressed | Distressed | 3,088 | 90.5 | 9.5 | |
| Sitka Borough | | | | | | |
| Sitka | Non-Distr. | Non-Distr. | 18,753 | 59.6 | 34.0 | |
| Skagway Municipality | | | | | | |
| Skagway | Non-Distr. | Non-Distr. | 18,753 | 59.6 | 34.0 | |
| Wrangell Borough | | | | | | |
| Meyers Chuch | Distressed | N/A | ND | 100.0 | 5.3 | |
| Thoms Place | Distressed | Distressed | ND | 62.5 | 25.0 | |
| Wrangell | Non-Distr. | Non-Distr. | 20,648 | 68.1 | 31.8 | YES |
| Yakutat Borough | | | | | | |
| Yakutat | Non-Distr. | Non-Distr. | 21,288 | 65.8 | 38.0 | |

H. High Cost of Living

Median household income information becomes more meaningful when looked at in conjunction with cost-of-living information.

Cost of Living by State - Although there is no official cost-of-living index, certain cost-of-living inferences can be made by using the U.S. Bureau of Labor Statistics *Consumer Price Index* (CPI). The *Top50states Group* calculated the cost-of-living for each state using data compiled from the Federal Cost of Living Index, the Bureau of Labor Statistics, and various state websites. Alaska's cost-of-living is 26.4% higher than the national average and it costs more to live in Alaska than every other state but Hawaii and California. Alaska's housing costs are 37.7% higher than the national average.¹³

Anchorage vs. US Average – The Economic Research Institute (<http://www.erieri.com>) is a survey firm dedicated to research and development. ERI conducts geographic- and industry-specific surveys gathering data on salaries, cost-of-living, and executive compensation. They have a program which compares the cost of living in any city with the national average. As the new 2008 Alaska Geographic Differential Study uses Anchorage as the baseline to compare

¹³ Source: <http://www.top50states.com/cost-of-living-by-state.html>.

other Alaska communities to, we used the ERI program to compare the cost-of-living in Anchorage with the US Average. It is 22.9% higher.

| Data as of Oct. 1, 2009 | Base City US Average | Anchorage Alaska | Differentials |
|-------------------------------|-------------------------|---------------------|-----------------|
| Consumables | \$17,588 | \$25,465 | \$7,877 |
| Transportation | \$7,943 | \$9,170 | \$1,227 |
| Health Services | \$2,269 | \$3,272 | \$1,003 |
| Rent/Util/Insurance | \$21,636 | \$34,560 | \$12,924 |
| Income & Payroll Taxes | \$15,264 | \$8,712 | -\$6,552 |
| Miscellaneous | \$7,300 | \$7,300 | 0 |
| Total Cost of Living | \$72,000 | \$88,479 | \$16,479 |
| Cost of Living % of Base City | 100% | 122.9 | 22.9 |
| Cost of Living of US Average | 100% | 122.9 | |
| Monthly Rent | \$1,503 | \$2,562 | \$1,059 |
| Per Diem Lodging | \$70 | 181 | \$111 |
| Per Diem Food/Other | \$39 | \$97 | \$58 |

2008 Alaska Geographic Differential Study - For the first time in nearly 25 years, Alaska's state government has a new, comprehensive cost differential study that allows us to compare the costs of one part of the state with another. It is available on the Alaska Department of Administration website. The *2008 Alaska Geographic Differential Study* was prepared by McDowell Group, ECONorthwest and GMA Research Corporation.

The study shows that it costs 2% more to live in small Southeast communities than in Anchorage, and 5% more to live in mid-size Southeast communities than Anchorage. Ketchikan and Sitka residents pay 9% more than Anchorage residents.

I. Conclusions

If you are using the top50states index, the cost of living in Alaska is 26.4% higher than the national average. If you are using the ERI calculation plus the Alaska Differential Study, the cost of living in Alaska is between 24.9% to 27.9% higher than the national average, and 31.9% higher if you are living in Sitka or Ketchikan. Rural residents are faced with the challenge of living with higher unemployment, less opportunity and smaller incomes in the face of higher costs.

III. TRIBAL GUIDING PRINCIPLES, VISION AND STRATEGIES

A. The Central Council – Its Constitution and Mission

Through their Constitution, the Tlingit and Haida Indian Tribes of Alaska: organized a single regional tribal entity; preserved their identities as Indian Tribes; preserved the identity and culture of their tribal citizens and descendants; provided for the exercise of their tribal sovereignty and the government of the property and affairs of the Tribes; and promoted the dignity and welfare of the tribal member citizens.

The Tribe is established pursuant to the inherent sovereign authority of the Tlingit and Haida Indian Tribes of Alaska. The Tribe is recognized by the United States of America as a federally recognized tribal government pursuant to Section 8 of the Act of June 19, 1935 (49 Stat. 388), as amended by the Act of August 19, 1965 (79 Stat. 543), and the Act of November 2, 1994 (Public Law 103-454, 108 Stat. 4792). The General Assembly of the Central Council is the general legislative and governing body of the Tribe. Its functions are to secure, preserve and exercise the sovereign rights, powers, authorities, privileges, and immunities of the Tribe and all such other rights, powers, authorities, privileges, and immunities as the Tribe shall possess or be granted, to maintain a roll of and promote the welfare of the member citizens of the Tribe, and to legislate for and govern the Tribe and its member citizens.

The Central Council organization provides administrative and program support to the Tribes. Its mission is to ‘preserve Tlingit and Haida sovereignty, enhance Tlingit and Haida economic and cultural resources, and promote self-sufficiency and self-governance for our citizens through collaboration, service, and advocacy.’

B. The Roads and Transportation Department Mission and Vision

The Tribe’s Roads and Transportation Department is responsible for developing and maintaining programs and projects that meet the local and regional transportation needs of tribal constituents, who reside predominantly in Southeast villages. The tribal vision is for a transportation system that improves rural accessibility to services and goods. At the regional level, our vision is that we continue to have a robust open planning process in which local tribes and municipalities have meaningful participation. At the program and operational levels, our vision is that we continually apply the best management practices, use new technology, and innovate to preserve and ensure the reliable operation of marine transportation services. Lastly, our vision calls for evaluating and minimizing the impacts of transportation on the environment as is consistent with national priorities.

C. Tribal Transportation Guiding Principles

The principles, discussed in this section and approved by the Tribe, were developed to guide the Roads and Transportation Department as it goes about planning for and implementing priority transportation projects identified by Southeast Alaska communities.

- Our tribal plan will be based on a realistic assessment of marine transportation systems and resources.
- To be of value, the plan will provide specificity to guide implementation.
- It is imperative that Southeast villages get the most value possible through the efficient management of transportation funds.
- Likewise, it is imperative Southeast villages get the most value possible through the efficient management of marine transportation operations that may be set in place; this is also crucial to future equipment and facility maintenance.
- The communities themselves will provide a framework for resource allocation.
- CCTHITA Roads and Transportation will collaborate with communities on transportation policies and opportunities.
- The Roads and Transportation Department will continue to examine advancements in the industry area, and will use, as warranted, new technologies to increase efficiency in future services/operations.

D. Tribal Transportation Policies

Tribal Policy One: Develop the marine transportation alternatives to provide safe, cost-effective, and energy-efficient accessibility and mobility for people and freight in rural Southeast communities.

Tribal Policy Two: Establish strategic priorities for transportation system development funding with stakeholder input.

Tribal Policy Three: Ensure consistency between the Tribe's approved plans and operations, and within each plan's relationship to the other.

Tribal Policy Four: Through outreach, increase the understanding of and communicate the importance of CCTHITA involvement in assessing, planning for and/or operating future marine transportation services.

Tribal Policy Five: Ensure the efficient management and operation of any transportation system developed by the Roads and Transportation Department.

Tribal Policy Six: Use technology and innovation, where cost-effective, to ensure the efficient operation of any marine transportation operation developed by the Roads and Transportation Department.

Tribal Policy Seven: Ensure safety requirements are met on any developed operation of the Tribe.

Tribal Policy Eight: In any future tribal transportation operations, ensure collaboration with federal, local, and state agencies to provide secure systems and emergency preparedness for all modes.

Tribal Policy Nine: Ensure that future operations preserve the integrity of the ecosystems and enhance the positive attributes of efficient operations.

Tribal Policy Ten: Develop transportation plans in close coordination with local communities to ensure transportation investment decisions reflect rural quality of life values.

E. Tribal Transportation Strategic Priorities

As a result of the Roads and Transportation Department's assessment of state systems and plans, it has set these strategic priorities and goals for system development, system preservation and system management in place.

Tribal Priority One: The Department will work to expand its Federal Lands Indian Reservation Roads/Bridges (IRR) Program efforts, and will continue to pursue the designation of the marine highway system and Juneau roads in the IRR program.

Tribal Priority Two: The Department will proceed with plans to develop an operational presence in the Southeast Alaska marine transportation arena. We are implementing a *Short Sea Program* in which the Tribe has partnered with a marine service company to provide efficient transportation and shipping services to select villages. In this proposed effort, we will operate a documented U.S. vessel to run a feeder route between Sitka and Angoon, Kake, Juneau, Elfin Cove, Tenakee, and Pelican, thus improving access to critical services.

Tribal Priority Three: Advocate and actively lobby to ensure the reauthorization of SAFETEA-LU, Public Law 109-59.

Tribal Priority Four: The Department will develop excellent professional capability, presence, and reputation in the marine transportation industry. It will do this by developing or acquiring the necessary expertise to plan for, develop and implement marine transportation options. The end goal is to provide quality, affordable marine transportation services that meet community needs.

Tribal Priority Five: The Department will develop a research function to support departmental transportation activities, including efforts to secure research funding. The freight services plan is one research project.

Tribal Priority Six: The Department will pursue funding and resources to carry out marine transportation projects identified as a result of this plan and based on priority project lists agreed to by the local cities and tribes. It is understood that marine transportation services must be subsidized.

Tribal Priority Seven: To support capacity building and project efforts, the Department will continue to pursue and access the federal, state and private funding.

Tribal Priority Eight: As the Department solidifies its operational presence in the marine transportation arena, it will develop a capital management/investment plan to ensure that plans account for future investment needs, including the proper maintenance and timely replacement of vessels, facilities and equipment.

F. Tribal Transportation Goal

Tribal Goal: To develop and operate non-State marine transportation opportunities to meet tribal- and community-identified marine transportation needs. The longer-term goal is to collaborate with the state to provide more cost effective and efficient private-owned marine transportation services. This may occur through MOA and/or contract. Legislation may be required.

Target Communities: the initial target communities are Sitka, Angoon, Kake, Juneau, Elfin Cove, Tenakee, and Pelican. However, if it is later determined that it is advantageous to collaborate on marine transportation service delivery to the southern and northern southeast communities, the Roads and Transportation Department will do so.

G. Tribal Transportation Strategies

Strategy 1: Develop the capability of the tribal Roads and Transportation Department. Department management must have the expertise, mandate, and tools to effectively implement the plan, administer programs, and manage operations. The multi-functional responsibility and reasonable strength of management will be developed and maintained in all functional areas.

Action 1.1. At the department program level, we will develop multi-modal transportation planning and management capability.

Action 1.2. At the department administrative level, we develop our financial and asset management capabilities.

Action 1.3. At the operational level, we will develop our financial management and our industry operations experience.

Action 1.4. At the project level, we will develop staff project management skills.

Action 1.5. To support operations, partnering may be used to acquire expertise.

Action 1.6. Department personnel will be required to keep updated on trends and innovations in the industry.

Action 1.7. To support planning, development and management activities at the regional and project levels, we will acquire necessary services through arms length transactions with companies providing financial, architectural, engineering, shipbuilding services, and other needed professional services.

Strategy 2: Develop the Roads and Transportation Department's presence in the marine transportation arena.

Action 2.1. Develop a marine transportation plan with community and tribal input to guide tribal department efforts.

Action 2.2. Examine marine transportation management scenarios, including the potentials of partnering.

Action 2.3. Examine different ferry services that might meet community needs more cost efficiently. Development of alternative strategies will be based upon an assessment of different systems, routes, scheduling, ridership and infrastructure.

Action 2.4. Assess and develop project options based on

- o Cost recovery to the operation

- Project sustainability
- Affordability of services to community
- Meeting departmental goals/priorities
- Meeting community priority needs
- Increased access to crucial services
- Increased access to the National Highway System
- Route/schedule analysis.

Action 2.5. Design and run demonstration/pilot efforts. The partnering effort with Allen Marine is the first proposed pilot effort.

Action 2.5. Plan for and implement a continuing operations plan which rationalizes fixed expenditures, properly applies labor contract terms and conditions, ensures careful route planning and ship assignment

Action 2.6. To ensure detailed planning of major maintenance and vessel refits, develop a maintenance plan and keep it updated.

Action 2.7. To ensure effective investment in technology and systems, develop a capital investment plan and keep it updated.

Action 2.8. Develop a safety program that meets all regulatory requirements and ensures effective management of the relationship with regulators and similar authorities.

Strategy 3: Evaluate the existing system and marine transportation options.

Action 3.1. Assess defining transportation laws, regulations and policies.

Action 3.2. Assess the existing marine transportation system, including historic patterns.

Action 3.3. Develop a marine transportation program based on gaps and needs identified in the assessment.

Action 3.4. Include guidance in the tribal plan to support development efforts.

Action 3.5. Develop options for management's consideration.

Strategy 4: Outreach Strategy: Involve the impacted communities in planning, development and management efforts affecting those communities.

Action 4.1. The local tribe and municipality will select a primary contact for their community.

Action 4.2. These representatives will comprise the *Transportation Working Group* and will be responsible for keeping the community informed and for obtaining necessary input and resolutions.

Action 4.3. The Department will use public notices and media to keep community residents updated on project activities affecting their communities.

Action 4.4. The Department will develop a transportation plan brochure to help community residents understand tribal goals and strategies.

Action 4.5. Town meetings will be held in each community to review the draft plan(s).

Action 4.6. There will be one regional meeting to approve the final plan(s).

Strategy 5: Assess community needs for community transportation services.

Action 5.1. Examine the STIP List to identify community transportation projects in the active queue.

Action 5.2. Examine the CEDS to identify marine transportation projects prioritized by the communities.

Action 5.3. Examine the DOTPF project status site to determine the status of projects underway.

Action 5.4. Collaborate with IFA about their future plans for the southern Southeast communities.

Action 5.5. Collaborate with the local tribes about local marine transportation needs, once the existing marine transportation system has been assessed.

Strategy 6: Prioritize needs through an integrated planning process that involves tribal and community input and develop the *Tribal Priority Project List (TPPL)*.

Action 6.1. The *Transportation Working Group* will approve this list.

Action 6.2. Use the project assessment point system contained in this plan; further delineate the process.

Action 6.3. In the assessment process, projects are assigned to categories and then assigned point values, which determines their order on the *TPPL*. For projects with equal point values, the ‘first in the door-first out the door’ rule applies. See the assessment criteria at Appendix D.

Action 6.4. Identify what role the Department should play in the project/service: planning, developing, finding funding for, managing construction/development, or ownership.

Action 6.5. Obtain approval/support from the Tribe’s Governing Body for the process and point system laid out in the TLTP and TMTP.

Action 6.6. Obtain community buy off on the process and point system.

Strategy 7: Maintain a 3-year IRR *Tribal Transportation Improvement Program (TTIP)*, which the list of tribal transportation projects to be funded in the near term.

Action 7.1. Develop the list to be consistent with the tribal long-range transportation plan.

Action 7.2. Include all IRR program funded projects scheduled for construction in the next 3 years.

Action 7.3. Identify the implementation year of each project scheduled to begin within the next 3–5 years.

Action 7.4. Include other Federal, State, county, and municipal transportation projects initiated by or developed in cooperation with the Tribal government.

Action 7.5. Update the list with CCTHITA Executive Council approval.

Action 7.2. Forward updates to the BIA by Executive Council resolution.

Action 7.3. Use a tribal control schedule, an accounting and project management tool, for implementing the TTIP.

Strategy 8: Provide technical assistance to the communities to develop priority projects.

Action 8.1. Develop partnerships, if necessary to successful project development.

Action 8.2. Identify state, federal or private fund sources; facilitate the application process.

Action 8.3. Facilitate local transportation project placement on state and federal project lists, if appropriate and desired by the community.

Strategy 9: Monitor the progress and changes taking place in our rural communities and the extent to which services, facilities, and processes are meeting community needs; make adjustments as necessary.

Action 9.1. At the policy level, determine if:

- The plan complies with the tribal operations and business practices?
- The plan includes provisions for staying in compliance with tribal personnel policies?
- The plan complies with the tribe’s accounting procedures and programs?

- The plan allows for tribal membership training and education?
- The plan supports or enhances other tribal programs (i.e., economic development)?

Action 9.2. At the operational level, use performance measures to determine well the tribal transportation system is doing its job:

- Accessibility: Percent population within “x” minutes of “y” percent of employment sites; whether special populations such as the elderly are able to use transportation; whether transportation services provide access for underserved populations to employment sites; also, whether services are ADA compliant.
- Mobility: average travel time from origin to destination; change in average travel time for specific origin-destination points; average trip length; percentage of trips per mode (known as mode split); time lost to congestion; transfer time between modes; percent on-time transit performance.
- Economic development: jobs created and new housing starts in an area as a result of new transportation facilities; new businesses opening along major routes; percent of region’s unemployed who cite lack of transportation as principal barrier to employment; economic cost of time lost to congestion.
- Quality of life: environmental and resource consumption; tons of pollution generated; fuel consumption per vehicle mile traveled; decrease in wetlands; changes in air quality, land use, etc.
- Safety: number of crash or other safety incidents or economic costs of crashes.
- Security: Transportation system security is defined as the freedom from intentional harm and tampering that affects both motorized and non-motorized travelers, and includes natural disasters. Has the plan adequately addressed prevention, management, and response to threats of a region, its transportation system and users.
- Cost: Cost to travel between communities, transportation costs for person trips and for goods movement..

Strategy 10: Pursue funding and resources to support capacity building, department needs, and project efforts.

Action 10.1. Continue to apply for federal funding and resources available for marine transportation programs and operations including but not limited to The Recovery Act (ARRA) funds, FHWA program funding, FTA program funding, MARAD, Army Corps of Engineers, EPA and EDA.

Action 10.2. Continue to secure state funding and resources for programs and operations.

Action 10.3. Examine opportunities under the annual Department of the Interior NOFA inviting tribes to submit proposal for Interior services.

Action 10.4. Pursue opportunities for direct appropriation at the state and federal legislative levels.

Action 10.5. Examine and pursue private funding potentials and opportunities.

Strategy 11: Consult, collaborate and coordinate with other transportation providers to maximize resources and services, as well as to avoid duplication

Action 11.1. Initiate consultation with the State. Organize local tribal participation.

Action 11.2. Collaborate with the appropriate AMHS officials.

Action 11.3. Collaborate with appropriate Federal DOT officials.

Action 11.4. Collaborate with local municipal transportation authorities.

Action 11.5. Collaborate with MPO's.

Strategy 12: Develop an internal research function to support department and operational needs.

Action 12.1. Develop a departmental research function; identify research needs. The tribal *Freight Services Plan for Southeast Alaska Villages* is one of those research projects. It is mentioned in this plan because there is a freight component to marine transportation services.

Action 12.2. Seek partners to conduct necessary marine transportation research.

Action 12.3. Seek funding to support marine transportation research activities.

Strategy 13: Advocate Native marine transportation projects at local, regional, state and national levels.

Action 13.1. Stay abreast of existing funding.

Action 13.2. If a project doesn't fit within allowed activities for grant sources, advocate at the state and federal legislative levels for assistance.

III. TRIBAL PILOT PROJECT – ALLEN MARINE, INC.

A. Phase One – Pilot Period

The CCTHITA/Allen Marine partnership has proposed a 1-year pilot program, in which we will run feeder ferry services from Sitka to the communities of Angoon, Kake, Juneau, Elfin Cove, Tenakee and Pelican to improve access to critical services. The proposed service route will act as an "extension of the surface and shipping transportation from Juneau and Sitka, two of the primary shipping and transportation hubs in Southeast Alaska. The proposal will allow for increased economic development opportunity by having increased service to the villages. The routes are established waterways that began thousands of years ago as traditional Tlingit and Haida trading routes.

We will use an existing vessel built by Allen Marine, Inc in 2004. St. Aquilina is an 88' Catamaran that can carry 150-passengers and up to 10,000 pounds of freight at a service speed of 25 knots. This pilot project will enable us to test service with existing equipment, demonstrate the viability of the proposed service, and return the direct link to and from Sitka.

Hoonah, Kake, Gustavus, Angoon, Pelican, Tenakee Springs, Port Alexander, Elfin Cove, and Baranof Warm Springs residents were recently surveyed by McDowell Group as a part of the ADOTPF *Northern Panhandle Transportation Study*. According to that survey, 52% of the surveyed residents of said that Sitka was the second most important community for regional travel. Residents of Port Alexander and other communities said that Sitka was the most important community to travel to.

Frequent ferry services were important to 34% of the surveyed residents and low-cost ferry service was most important to 29% of those surveyed. Of the Sitka households surveyed, 81% said ferry service is important or very important to their household; 46% used the ferry in the last year.¹⁴

After reviewing various service options, Sitka was chosen as the hub for this pilot project. The project is important to existing system operator owners, because it will:

- Demonstrate the ability to improve service to communities in northern Southeast Alaska;
- Demonstrate the ability to bring service online in a short period of time;
- Provide a model for further service throughout Southeast Alaska.
- Enable frequent service during daytime hours;
- Entail use of hub and spoke style ferry service;
- Enable expansion of ferry service to include some communities without current service such as Gustavus, Elfin Cove, Baranof Warm Springs, Port Alexander and Hyder;
- Provide a reliable, dependable service as vessels are rigidly designed; and
- Improve the movement of passengers and freight between communities and beyond;

¹⁴ Source: *Northern Panhandle Transportation Study – Public Scoping Meeting*. The survey was conducted by McDowell Group for ADOTPF.

| PILOT PHASE – SUMMARY OF COSTS | | |
|--|-----------|------------------|
| Personnel Services | | 83,750 |
| Travel | | 15,000 |
| Contractual Costs – Short Sea Services: | | 4,403,000 |
| Wages, Benefits, Per Diem, Uniforms | 1,250,000 | |
| Fuel & Oil Expenses | 2,075,000 | |
| Maintenance Expense | 415,000 | |
| Marketing | 43,000 | |
| Interest, Expense, Depreciation, Insurance | 305,000 | |
| Direct Project Specific Expenses | 285,000 | |
| Contractor Administrative Costs | 30,000 | |
| Conferences/Meetings | | 6,000 |
| Office Rent | | 5,000 |
| Electric | | 491 |
| Total Direct | | 4,513,241 |
| Total Indirect | | 717,154 |
| Percentage Indirect of Total Project Cost | | 13.7% |
| Total Cost – Demonstration Period | | 5,230,395 |

Cost efficiencies associated with the initiative: we will be using an existing vessel; all pilot communities have port and landside infrastructure to accommodate such vessels; and the schedule will allow for coordination with AMHS and communities served.

The proposed schedule and fares are on the following pages. The routing may be adjusted based on community input. We have matched current AMHS fares.

The proposed tribal initiative is consistent with the State’s strategic priority four in which they indicate one of their goals is to transition to shuttle ferry operations. The tribal program is also consistent with the *USDOT 2006-2009 Strategic Plan*, which stipulates a strategy of working proactively with Tribes, States, local governments, industry and other transportation stakeholders to seek integrated approaches to resolving transportation issues, support community needs, and give full consideration to local environmental conditions.

DRAFT - 2010 Short Sea Ferry Service Schedule

| Monday Sitka - Angoon - Tenakee - Hoonah - Juneau | | | | |
|--|-------------|-------------------|-------------|---------------------|
| Depart | Port | Run Time | Port | Arrive |
| 7:00 AM | Sitka | 3 hr 15 min | Angoon | 10:15 AM |
| 10:45 AM | Angoon | 1 hr 45 min | Tenakee | 12:30 PM |
| 1:00 PM | Tenakee | 2 hr | Hoonah | 3:00 PM |
| 3:30 PM | Hoonah | 2 hr 15 min | Juneau | 5:45 PM |
| Run time @ 25 kn is 9 hr 15 min | | Total Time | | 10 hr 45 min |
| Tuesday Juneau - Hoonah - Angoon - Kake - Sitka | | | | |
| Depart | Port | Run Time | Port | Arrive |
| 7:00 AM | Juneau | 2 hr 15 min | Hoonah | 9:15 AM |
| 9:45 AM | Hoonah | 2 hr 30 min | Angoon | 12:15 PM |
| 12:45 PM | Angoon | 2 hr 15 min | Kake | 3:00 PM |
| 3:30 PM | Kake | 4 hr 45 min | Sitka | 8:15 PM |
| Run time @ 25 kn is 11 hr 45 min | | Total Time | | 13 hr 15 min |
| Wednesday Sitka - Angoon - Tenakee - Hoonah - Juneau | | | | |
| Depart | Port | Run Time | Port | Arrive |
| 7:00 AM | Sitka | 3 hr 15 min | Angoon | 10:15 AM |
| 10:45 AM | Angoon | 1 hr 45 min | Tenakee | 12:30 PM |
| 1:00 PM | Tenakee | 2 hr | Hoonah | 3:00 PM |
| 3:30 PM | Hoonah | 2 hr 15 min | Juneau | 5:45 PM |
| Run time @ 25 kn is 9 hr 15 min | | Total Time | | 10 hr 45 min |
| Thursday Juneau - Hoonah - Tenakee - Angoon - Sitka | | | | |
| Depart | Port | Run Time | Port | Arrive |
| 7:00 AM | Juneau | 2 hr 15 min | Hoonah | 9:15 AM |
| 9:45 AM | Hoonah | 2 hr | Tenakee | 11:45 AM |
| 12:15 PM | Tenakee | 1 hr 45 min | Angoon | 2:00 PM |
| 2:30 PM | Angoon | 3 hr 15 min | Sitka | 5:45 PM |
| Run time @ 25 kn is 9 hr 15 min | | Total Time | | 10 hr 45 min |
| Friday Sitka - Kake - Angoon - Hoonah - Juneau | | | | |
| Depart | Port | Run Time | Port | Arrive |
| 7:00 AM | Sitka | 4 hr 45 min | Kake | 11:45 AM |
| 12:15 PM | Kake | 2 hr 15 min | Angoon | 2:30 PM |
| 3:00 PM | Angoon | 2 hr 30 min | Hoonah | 5:30 PM |
| 6:00 PM | Hoonah | 2 hr 15 min | Juneau | 8:15 PM |
| Run time @ 25 kn is 11 hr 45 min | | Total Time | | 13 hr 15 min |
| Saturday Juneau - Pelican - Juneau (every other week, every other week off) | | | | |
| Depart | Port | Run Time | Port | Arrive |
| 8:00 AM | Juneau | 4 hr 15 min | Pelican | 12:15 PM |
| 12:45 PM | Pelican | 4 hr 15 min | Juneau | 5:00 PM |
| Run time @ 25 kn is 8 hr 30 min | | Total Time | | 9 hr |
| Sunday Juneau - Hoonah - Tenakee - Angoon - Sitka | | | | |
| Depart | Port | Run Time | Port | Arrive |
| 7:00 AM | Juneau | 2 hr 15 min | Hoonah | 9:15 AM |
| 9:45 AM | Hoonah | 2 hr | Tenakee | 11:45 AM |
| 12:15 PM | Tenakee | 1 hr 45 min | Angoon | 2:00 PM |
| 2:30 PM | Angoon | 3 hr 15 min | Sitka | 5:45 PM |
| Run time @ 25 kn is 9 hr 15 min | | Total Time | | 10 hr 45 min |

DRAFT - 2010 Short Sea Ferry Service Fares

| Adults 12 years old to 64 years old | | | | | | | | |
|--|----|--------------|---------------|-------------|----------------|---------------|---------------|----------------|
| | | Sitka | Angoon | Kake | Tenakee | Hoonah | Juneau | Pelican |
| Sitka | to | *** | \$ 35.00 | \$ 37.00 | \$ 35.00 | \$ 37.00 | \$ 45.00 | *** |
| Angoon | to | \$ 35.00 | *** | \$ 47.00 | \$ 31.00 | \$ 33.00 | \$ 37.00 | *** |
| Kake | to | \$ 37.00 | \$ 47.00 | *** | \$ 50.00 | \$ 60.00 | \$ 66.00 | *** |
| Tenakee | to | \$ 35.00 | \$ 31.00 | \$ 50.00 | *** | \$ 31.00 | \$ 35.00 | *** |
| Hoonah | to | \$ 37.00 | \$ 33.00 | \$ 60.00 | \$ 31.00 | *** | \$ 33.00 | *** |
| Juneau | to | \$ 45.00 | \$ 37.00 | \$ 66.00 | \$ 35.00 | \$ 33.00 | *** | \$ 50.00 |
| Pelican | to | *** | *** | *** | *** | *** | \$ 50.00 | *** |
| Children 6-11 and Seniors 65+, Children under 6 free | | | | | | | | |
| | | Sitka | Angoon | Kake | Tenakee | Hoonah | Juneau | Pelican |
| Sitka | to | *** | \$ 17.50 | \$ 18.50 | \$ 17.50 | \$ 18.50 | \$ 22.50 | *** |
| Angoon | to | \$ 17.50 | *** | \$ 23.50 | \$ 15.50 | \$ 16.50 | \$ 18.50 | *** |
| Kake | to | \$ 18.50 | \$ 23.50 | *** | \$ 25.00 | \$ 30.00 | \$ 33.00 | *** |
| Tenakee | to | \$ 17.50 | \$ 15.50 | \$ 25.00 | *** | \$ 15.50 | \$ 17.50 | *** |
| Hoonah | to | \$ 18.50 | \$ 16.50 | \$ 30.00 | \$ 15.50 | *** | \$ 16.50 | *** |
| Juneau | to | \$ 22.50 | \$ 18.50 | \$ 33.00 | \$ 17.50 | \$ 16.50 | *** | \$ 25.00 |
| Pelican | to | *** | *** | *** | *** | *** | \$ 25.00 | *** |
| 10% group rate discount available for groups over 10. | | | | | | | | |

B. Phase Two – Expanded Operations

Phase Two requires the construction of larger vessels to meet longer term need. Allen Marine will build 117' Catamaran vessels that can carry 150-passengers and between 50,000 and 60,000 pounds of freight, and run at a service speed of 25 knots. The project will create positive impacts in the regional economy and will positively affect all aspects of the Sitka economy.

Regional impacts:

- Increased mobility of goods, and services;
- Improve ability of people to move about for shopping, entertainment, sports, school functions, business, etc;
- Regular service to communities with little or no current ferry service;
- Increases business potential with increased goods movement;
- Increased involvement of the Southeast Tribes in transportation decisions; and
- Affects all aspects of Southeast Alaska's economy.

During the construction period, the impacts to Sitka will be:

- Up to 80 jobs in the Sitka shipyard;
- Annual payroll of \$4 million during term of construction;
- Pre-construction training and on the job training of boat construction skills;
- Train shipyard employees to be vessel crew members and maintenance staff when ferry construction is completed;
- Ability to hire from communities through out Southeast Alaska and provide training; and

During the operational period, the impacts to Sitka will be:

- Creation of professional & skilled jobs for Southeast Alaska residents;
- Annual payroll of approximately \$600,000 per vessel operated;
- Equipment design for operational efficiency;
- Year-round Jobs for crew and shore-support; and
- Local purchasing of goods and services for ferry operation.

The positive capital investment considerations associated with both the construction and operational periods:

- Smaller efficient vessels;
- Increased flexibility of scheduling;
- Fast vessels to allow operation during daytime hours and with more communities served;
- Lower initial capital investments;
- Lower operating costs;
- Availability of proven vessel designed for Southeast Alaska waters;
- Much of the money generated would stay within Alaska; and
- Ability to buy Alaska.

C. Overall Project Benefits

Integration: proposal routes connect with the urban cities of Juneau and Sitka which integrate with large barge line shippers and Alaska Airlines for in/out of State travel; and proposal routes connect with the main population centers of Juneau and Sitka for jobs, employment, State and federal services, facilities, shopping, and recreation.

Accessibility: proposal routes will provide more equitable access from these feeder routes to the diverse transportation and shipping opportunities out of Juneau and Sitka; and the short sea corridor allows for more flexibility in service for special events and community emergencies.

Connectivity: travel time between the villages, Juneau, and Sitka will be reduced; the proposed routes are within a corridor to possibly add villages once the operation is underway; and the rates for passengers and freight can better achieve an economy of scale with the short sea route transportation system.

Serviceability: the short sea route between the villages is designed. for safety, comfort, and reliability under year round weather conditions; and the marine vessel company will be an experienced ferry operator and have experience in managing passengers and freight.

Cost of Implementation: there are no capital costs of this operation as the proposal calls for a documented vessel in operation; and the costs of the implementation are primarily the costs of operation for one (1) year.

Community Development: over the past (5) years there has been a serious out-migration of rural residents and this proposal can revitalize economic development in areas of fishing, tourism, and mining; Southeast Alaska has strong Alaska Native social and cultural ties. This proposal will enhance regional development in both areas; and the villages will be connected to major shopping centers, regional hospitals, and urban recreation centers. This includes access to cheaper fuel and home energy saving materials.

Attractiveness to Travelers: the likely cost of passenger and freight will become more attractive when the short sea route reaches an economy of scale; and the targeted communities' value marine highway travel and all have mentioned the importance of the marine highway in economic development plans.

Environmental Responsiveness: Southeast Alaska has pristine lands and waters which provide natural plants, herbs, fur, fish, and game for food for rural residents; and Central Council Tlingit & Haida Indian Tribes of Alaska is mindful of this traditional way of life and will find a like partner and operate in a manner which preserves these natural resources. The operation will not have any negative effects on the adjacent land or waters of operation.

Conclusion: Based upon our analysis the Central Council Short Sea Transportation Initiative is a valuable high priority project which has long term economic benefits to State of Alaska.

IV. SOUTHEAST RURAL NEEDS – COMMUNITY & TRIBAL

In this section, the Department has attempted to identify community marine transportation projects in the work queue at the ADOTPF as compared to those on community needs and priority lists (not in the State’s work queue).

A. ADOTPF Project Status Site - Projects in Process

| ACTIVE PROJECTS REPORTED ON ADOTPF SITE AS OF 11/29/09 ¹⁵ | | | |
|--|--------------------|---|--|
| Phase | Community | Marine Trans Project | Status |
| Design Phase | N/A | None | N/A |
| Preconstruction | Angoon | Ferry Terminal Improvements | \$8m estimated for FFY09 \$700k programmed \$282k expended |
| | Coffman Cove | Ferry Terminal | \$12.1m programmed \$10.4m expended/encumbered |
| | Gustavus | Ferry Terminal Marsec Features | \$254k programmed/\$0 expended |
| | | Ferry Terminal | \$1m programmed/\$0 expended |
| | Haines | Terminal Improvements | \$10m estimated for FFY11 \$12.4m programmed \$18.1k expended/encumbered |
| | Hoonah | Ferry Terminal Improvements Fed Proj AK-0-0013 | \$3.5m estimated for FFY09 \$3.179m programmed \$371k expended/encumbered |
| | | Ferry Terminal Improvements Fed Proj HPRM-098(8) | \$1.39m programmed \$1.39m expended |
| | | Airport Road Paving Ferry Terminal to Airport | \$3.2m programmed \$71.6k expended |
| | Kake | Kake to Petersburg Roads & Shuttle Ferry Terminals | 51 mi. of ‘island collector road. \$900k programmed \$665k expended/encumbered |
| | Klawock | Kla to Hollis Pavement Rehab. | \$451k programmed \$368k expended |
| | Metlakatla | Walden Point Road & Ferry Terminals, Annette Bay & Saxman | \$7m estimated for FFY09 \$1.25m programmed \$964k expended/encumbered |
| | Petersburg | Mitkof Highway Ferry Terminal South Resurfacing | \$7.396m programmed \$7,372m expended |
| Wrangell | IFA Ferry Terminal | \$10m estimated for FFY09-10 \$283k programmed \$15k expended | |
| AMHS | Southeast | Southeast Shuttle Ferry | \$2.5m programmed \$1.71m expended/encumbered |
| Construction | AMHS | M/V Prince of Wales IFA Ferry Debt Replacement | \$2.8m programmed/expended Matching \$ for FTA construction of Coffman Cove Terminal |
| | Haines | Haines Highway Ferry Terminal to Union St. | \$23.4m programmed \$18.7m expended/encumbered |
| Maintenance and Operations | N/A | None | N/A |

¹⁵ Source: <http://www.dot.state.ak.us/stwdplng/projectinfo/index.shtml>.

B. Marine Transportation Projects Identified in STIP

The ADOTPF Statewide Transportation Improvement Program (STIP) and Needs List identifies statewide priorities for transportation projects and must be fiscally constrained. Through an established process, the state DOT solicits or identifies projects from rural and urbanized areas of the state. Projects are selected for inclusion in the STIP based on adopted procedures and criteria. In order to get a project funded a community must: discuss the project with a DOT planner; nominate the project to the STIP List along with a resolution from the elected local governing body; and have the project successfully scored by DOT regional and statewide offices. The State is currently accepting nominations for 2010-2013.

| Borough/Census Area | Hwy | Project Listing | Cost | Status |
|---------------------|------------|--|--------|------------------------------|
| Haines Borough | Marine Hwy | Haines Terminal Modification: (1) Refurbish/replace sheet piles or replace with dolphin mooring-fendering system. | 7.2m | \$9.8m to be spent in 2010 |
| | | (2) Construct end loading facility for AMHS ferries. Includes Bridge No. 0804 Haines Ferry Terminal Dock. | 18.2 | |
| Hoonah | Marine Hwy | Hoonah Marine Terminal Improv. (1) Replace aging and deteriorated marine structures (2) Replacement with a grated bridge surface will reduce operation and maintenance cost and improve public safety. | 3.824m | \$3.824m to be spent in 2010 |

C. Community Projects in 2009 CEDS – Marine Transportation

Marine transportation-related projects that were identified by communities as priority projects in the *2009 CEDS Update* are included in the table below. It should be noted that the Prince of Wales communities now rely on IFA to advance marine transportation priorities.

| Reg. & Comm. | Priority | Tribe | CEDS Strat. | Project | Contact | Est. Cost | Project Status | Pot. Fund Sources |
|---------------------|----------|-------|-------------|---|--------------------------------|-----------|------------------------------------|---------------------------------|
| Regional Priorities | | | 1.1 | AMHS Organizational Plan | SEC | | Planning | AMHS, State |
| Prince of Wales | 10 | | 1.1 | Island-wide Transportation Plan & Implementation System | POW Community Advisory Council | \$ 3m | Planning, Funding & Implementation | STIP, USFS, DOT/PF |
| Haines | 1 | | 1.1.C | Boat Harbor Expansion | Haines Bor. | \$32m | Preconst. Design | CORPS, RD, AKDOT/PF |
| Angoon | 15 | | 1.1.C | Ferry Terminal Upgrade | City | \$75k | Planning | Planning DOT/PF |
| Gustavus | 1 | | 1.1.C | Replace Dock With Freight/Ferry Facility | City | \$21m | In STIP Constr. Phase | DOT/PF, City, US Dept. Interior |
| Hoonah | 3 | | 1.1.C | Boat Haul Out | City | \$7.4 m | Phase 2 of 3 design funding | City, EDA Grant, State |

| | | | | | | | | |
|-----------------|----|----|-------|--|-------------|-----------|-----------------------------|---------------------------|
| Pelican | 5 | | 1.1.C | Reconstruct Boardwalk | City | \$1.1m | Planning, Permit, Constr. | Denali Commission, DOT/PF |
| | 6 | | 1.1.C | State of Alaska Ferry Dock | City | \$800 k | Nominated to STIP | DOT/PF |
| | 7 | | 1.1.C | Road Drainage | City | \$25 k | Nominated to STIP | DOT/PF |
| Saxman | 10 | 10 | 1.1.C | AMHS Saxman Ferry Terminal Ketchikan Metalakatla Transportation Corridor | City | TBD | Planning | DOT&PF, IRR |
| Craig | 3 | | 1.1.C | Harbor Improvements | City | \$5 m | Planning, Des., Env. Review | USACE, DCCED, DOT/PF |
| Hyder | 2 | | 1.1.C | Ferry: Promote Hyder as Alaska Sea Roads port | | \$50 k | Planning | State, Private Sector |
| Skagway | 9 | | 1.1.C | AMHS Ferry Terminal Sidewalk/Gateway-Valley Walkway Connections | City | \$1.5 m | Design, Planning | Municipal, State, Federal |
| Wrangell | 14 | | 1.1.C | Marine Service Center Upgrades (land improvements, utilities, storm water) | City & Bor. | \$2.554 m | Construction | |
| | 21 | | 1.1.C | Port Staging Area Fill/IFA terminal | City & Bor. | \$4 m | Funding, Design | |

D. Preliminary Tribal Priority Projects – Marine Transportation

Angoon - Ferry & Airport Terminal Buildings
 Kake - Ferry & Airport Terminal Buildings
 Pelican - Ferry & Airport Terminal Building
 Tenakee- Ferry & Airport Terminal Building
 Yakutat - Ferry Terminal Building

Projected Cost for Preliminary Needs¹⁶ - For plan purposes, we have used a cost of \$1.0 million per rural facility. We have conservatively listed the total cost of preliminary projects at \$5 million. These projects will be reaffirmed by the communities before activated. The costs will adjust project design begins.

¹⁶ Figures are based on historic budget figures and excerpted from the CCTHITA Long Term Transportation Plan.

V. THE STATE TRANSPORTATION AGENCY

This section is based on information contained in the *Alaska Statewide Long Range Transportation Policy Plan*, also called ‘*Lets Get Moving 2030*’. The plan, recently finalized, sets out guidelines, goals and strategies that will guide the State’s transportation activities up through year 2030. We also looked at regional and sub-tier plans.

A. Alaska Department of Transportation of Transportation and Public Facilities

Passengers and freight travel in Alaska via infrastructure and services provided by government and private industry. The Alaska Department of Transportation and Public Facilities (ADOTPF) owns and operates highways and bridges, the Alaska Marine Highway System (AMHS), and airports. Some marine services are provided by private enterprise and are an integral part of the transportation system. The State’s responsibilities are to preserve the value of the nation’s large capital investment, operate and maintain the system safely, and plan for its further development. Funds are allocated to these major transportation programs:

- NHS, the National Highway System. These are federally designated highways, ferries, and ferry terminals that are the state’s core surface transportation system.
- AHS, the Alaska Highway System. Highways and ferry service that are secondary to the NHS, but link communities and are otherwise of regional significance.
- CTP, the Community Transportation Program. These are local roads, streets, and transit systems. Many are locally owned, but most high-volume routes remain state-owned.
- TRAAK, Trails and Recreational Access for Alaska. This includes trails, pedestrian access, waysides, and similar improvements that enhance roadways and community transportation in general.

Transportation System Plans –The State’s various regional and local plans and project lists (STIP) are a part of the *Alaska Statewide Long Range Transportation Policy Plan*. ADOTPF Southeast Region has completed the alternatives scoping process for the *Southeast Alaska Transportation Plan (SATP)* and is now preparing the draft plan.

B. State Mission and Vision

The mission of the Alaska Department of Transportation and Public Facilities is to provide for the safe movement of people and goods and the delivery of state services. The Department of Transportation and Public Facilities plans, designs, constructs, operates and maintains quality, safe, efficient sustainable transportation and public facilities that meet the needs of Alaska’s diverse population, geography and growing economy.

C. State Transportation Policies

The State’s policies are key determinants in service impacts.

State Policy 1: Develop the multi-modal transportation system to provide safe, cost-effective, and energy-efficient accessibility and mobility for people and freight.

State Policy 2: Establish statewide strategic priorities for transportation system development funding.

State Policy 3: Apply the best management practices to preserve the existing transportation system.

State Policy 4: Increase understanding of and communicate ADOT&PF's responsibilities for system preservation as the owner of highways, airports, harbors, and vessels.

State Policy 5: Ensure the efficient management and operation of the transportation system.

State Policy 6: Use technology and Intelligent Transportation Systems where cost-effective to ensure the efficient operation of the transportation system, accessibility, and customer service.

State Policy 7: Identify system development needs that address travel demand growth, economic development, and funding strategies through regional and metropolitan plans.

State Policy 8: Preserve and operate Alaska's multi-modal transportation system to provide efficient reliable access to local, national, and international markets.

State Policy 9: Increase the safety of the transportation system for users of all modes.

State Policy 10: Work with federal, local, and state agencies to provide a secure transportation system and emergency preparedness for all modes.

State Policy 11: Preserve the integrity of the ecosystems and the natural beauty of the state, limit the negative impacts and enhance the positive attributes – environmental, social, economic, and human health – of an efficient transportation system.

State Policy 12: Support energy conservation, specifically in our consumption of fossil fuels, as a matter of national security and to address climate change.

State Policy 13: Develop transportation plans in close coordination with local communities to ensure transportation investment decisions reflect Alaskans' quality of life values.

State Policy 14: The statewide plan will provide the analytical framework from which ADOT&PF sets investment priorities.

D. State Strategic Goals and Priorities

ADOTPF allocates funds to the National Highway System (NHS), the Alaska Highway System (AHS), the Community Transportation Program (CTP), and Trails and Recreational Access for Alaska (TRAAK) in this priority order. How these systems are ranked plays a role in project selection. Alaska's NHS is the most important surface transportation network.

Strategic Priority One - Complete the modernization of the National Highway System to current standards to address safety and connectivity.

Strategic Priority - Address demand-driven urban capacity on the most congested highways in Alaska.

Strategic Priority - Replace ferries and transit vehicles that are old and no longer cost-effective.

Strategic Priority - Add strategic new system links to improve connectivity and reduce ferry links.

Strategic Priority - Improve selected Alaska Highway System links to enable economic development.

Strategic Priority - Other strategic capital needs.

Strategic Priority - Alaska Gasline Inducement Act (AGIA) transportation improvements.

Strategic Priority - Removal of spring weight restrictions on Parks.

Strategic Priority - Transportation improvements in rural Alaskan villages.

E. State Strategies and Actions

Strategy 1: Prioritize needs through an integrated planning process that evaluates choices and guides investment decisions based on fiscal realities.

Action 1.1. Allocate resources between categories of need: fund routine maintenance activities at current levels; fund preservation and life cycle management at current levels; fund system development by applying the balance of available funds to this category of need.

Action 1.2. Prioritize resources within categories of need – target system development to meet statewide plan development priorities: continue the modernization of the National Highway System in Alaska to meet contemporary design standards for mobility and safety; provide demand-driven capacity to accommodate growth; use the regional and MPO planning process to evaluate and propose the most beneficial projects; fund MPO and ADOTPF regional plan priorities first.

Action 1.3. Revisit and prioritize system plans.

Action 1.4. Establish a system plan for ports and harbors.

Strategy 2: Manage for results and apply resources effectively through the application of best practices. This strategy is for ADOTPF to institute a focus on the most strategic needs in the process through which funds are allocated.

Action 2.1. Align ADOT&PF's programs and budgets with policy goals.

Action 2.2. Establish a core set of performance measures to monitor performance against plan goals.

Action 2.3. Apply life cycle management best practices to the selection of pavement treatments – avoid “worst first.”

- Action 2.4. Implement pavement management system analytical capabilities.
- Action 2.5. Evaluate the future funding and business practices of AMHS.
- Action 2.6. Establish a level of service based approach to maintenance and operations planning and budgeting.
- Action 2.7. Streamline and further integrate planning and environmental analysis to improve the project delivery process.
- Action 2.8. Implement new technologies such as Intelligent Transportation Systems and other tools to improve transportation system productivity.
- Action 2.9. Establish a coordinated transportation task force to ensure the efficient use of public transportation resources.
- Action 2.10. Improve opportunities for public input and awareness, including providing timely information, and more options for influencing agency decisions.

Strategy 3: Constrain Needs: Integrate the regional, metropolitan, local area, and special transportation plans, set more modest twenty-year goals for system development, and look toward new solutions to meeting future travel demands.

- Action 3.1. Address context and affordability in design decisions.
- Action 3.2. Target surface transportation finance responsibilities on the National Highway System, Alaska Highway System, and other high-functional class routes.
- Action 3.3. Implement the process and methods required for the early identification and evaluation of environmental outcomes in regional and modal planning.
- Action 3.4. Reclassify and privatize industrial and resource roads.
- Action 3.5. Preserve transportation corridors in high growth areas through corridor management planning, advance acquisition of right-of-way, and coordination with land use planning.
- Action 3.6. Pursue demand management and multi-modal solutions where applicable.
- Action 3.7. Transfer ownership of local roads to local communities.

Strategy 4: Increase Revenues. Provide a new approach to supplement federal funds; the strategy is to pursue a portfolio of actions to increase revenue.

- Action 4.1. Pursue state funding mechanisms.
- Action 4.2. Evaluate AMHS to identify mechanisms for increasing revenue.
- Action 4.3. Establish rural transportation infrastructure bank.
- Action 4.4. Pursue local funding mechanisms.
- Action 4.5. Evaluate establishing a program for ADOT&PF to levy traffic impact fees.
- Action 4.6. Evaluate applicability of tolling and HOT lanes to meeting travel demand needs in heavily traveled corridors.
- Action 4.7. Reinstitute the Local Service Roads and Trails Program or a similar state-funded mechanism.

VI. STATE-IDENTIFIED TRANSPORTATION NEEDS VS. REVENUE

A. Statewide Transportation Needs vs. Revenue – The Funding Gap

The State Shortfall – In its state plan, ADOTPF has identified \$33,445 billion in transportation needs for the entire plan period. This does not include AMHS system development needs, which haven't been quantified, or local roads and street needs. On an annual basis, this calculates out to \$1.454 billion a year in needs for all transportation functions; \$179 million of that is the AMHS annual portion. ADOTPF only receives about \$750 million a year in revenue. This means that is a shortfall of about \$700 million a year on state-owned facilities.

| TOTAL TRANSPORTATION NEEDS UP THROUGH 2030 (In \$ Millions) | | | | |
|---|--------------------|---|------------------|---|
| System | Total Annual Needs | Responsibility | Annual Needs | Total Needs to 2030 |
| Highways and Bridges | \$1,051 | System Development: building and expanding roads and bridges. | \$552 | \$12,699 |
| | | Life Cycle Management (highways): preventative maintenance, rehabilitation and construction | \$367 | \$8,435 |
| | | Life Cycle Management (bridges): preventative maintenance, rehabilitation and construction | \$28 | \$644 |
| | | Routine Maintenance | \$104 | \$2,402 |
| Alaska Marine Highway System | \$179 | System Development: Fleet additions Terminal additions/replacement | Unquant. \$10 | Unquant. \$230 |
| | | Lifecycle Management: Fleet replacements Fleet refurbishment/recertification | \$26 \$23 | \$600 \$529 |
| | | Operations/Maintenance | \$120 | \$2,760 |
| | | Aviation | \$224 | System Development: building and expanding airports |
| | | Life Cycle Management: preventive maintenance, rehabilitation and reconstruction | \$62 | \$1,427 |
| | | Routine Maintenance | \$39 | \$905 |
| TOTALS | \$1,454 | | \$1,454 | \$33,445 |

B. AMHS Needs Identified in State Plan

AMHS System Development: System development entails vessel additions and terminal additions/replacements including improvements. Needs: New vessels are being evaluated by AMHS but no official estimates are available. Terminal addition/replacement needs are expected to be \$10m/year based on the regional plans. Implications: There are no plans to increase system-wide AMHS service. Zero vessel additions mean no new shuttle vessels. A dayboat ferry is planned as a part of the Juneau access project and is included in the surface links. Based on the discussions with ADOT&PF planning staff, it has been assumed that there will be no increase in the service levels through fleet additions. There are no new vessels programmed in the STIP.¹⁷ In summary: terminal additions/replacements will be \$10 million per year; zero vessel additions.

¹⁷ Source: *Let's Get Moving 2030 - Technical Appendix System Level Needs Analysis*

AMHS Life Cycle Management: Life cycle management consists of vessel replacement, refurbishment, and recertification to meet operational requirements and mandatory safety/operating standards for passenger vessels. Needs: Four AMHS vessels must be replaced before 2030 at a cost of \$150 million per vessel or an average of \$26 million per year over the planning horizon. The cost of regular vessel refurbishment/recertification is expected to be around \$23 million per year.¹⁸ Implications: Ferries must meet stringent regulatory requirements, including crew training and certifications, or the Coast Guard will not allow them to be put in service. In summary: vessel replacement is \$26 million per year; vessel refurbishment/recertification is \$23 million per year; statewide plan maintains current levels of service through fleet replacements and addressing additional security requirements.

AMHS Maintenance and Operations: Routine maintenance is highly regulated in ferry services: USCG requires compliance with its standards; and vessel insurers require compliance with a certification system. Both oversee routine maintenance inspections and are very prescriptive about maintenance. Operating costs include the fuel, labor, and other materials required to meet a particular sailing schedule. Labor costs are determined through collective bargaining with the applicable unions. The only cost variable that ADOTPF controls is the schedule. Needs: The average operating costs (3 years) is \$120 million per year; the amount is expected to increase to about \$131 million per year in FY 2007. The average revenue (3 years) is \$48.4 million per year. The operating subsidy (difference between costs and revenue) is covered by the general fund. Implications: Maintenance and operating costs have increased considerably in recent years due to increased costs of fuel, labor, and sailings. In summary: maintenance/operations needs are \$120 million/year; statewide plan recognizes that a continued general fund subsidy will be required to maintain the current level of service.

C. State of Alaska Revenue

In 2006, the State of Alaska had about \$10.5 billion in revenue:

- \$3.2 billion in Restricted Investment Income
- \$0.4 billion in Restricted Other Income
- \$0.7 billion in Restricted Oil Revenue
- \$1.0 billion in Restricted Federal Aid: Other
- \$1.0 billion in Restricted Federal Aid: Transportation
- \$3.7 billion in Unrestricted Oil Revenue
- \$0.4 billion in Unrestricted Other State Revenue
- \$0.1 billion in Unrestricted Investment Income

\$1 billion was received by Alaska through federal aid transportation programs covering all modes of transportation. Only \$4.2 billion of total revenues were unrestricted and available for General Fund expenditures, of which \$3.7 billion – well over 80% - were oil sector revenues. In the fiscal year 2006, Alaska collected about \$42 million of motor fuel taxes; they made up less than 0.5% of Alaska’s revenues that year.

¹⁸ Source: 2006 AMHS fleet survey conducted by The Glostien Associates.

D. Historical Transportation Revenues

The historical revenues for ADOT&PF for highways/bridges and AMHS are shown here. This does not include aviation revenues.

| ADOT&PF Historical Revenues – Millions \$ | | | |
|---|---------------------------|---------------|-----------------------|
| Fiscal Year | Federal Receipts per FHWA | AMHS Revenues | General Fund Revenues |
| 1995 | 232 | 23 | 143 |
| 1996 | 246 | 25 | 147 |
| 1997 | 226 | 27 | 152 |
| 1998 | 200 | 29 | 146 |
| 1999 | 183 | 32 | 172 |
| 2000 | 310 | 35 | 127 |
| 2001 | 313 | 38 | 109 |
| 2002 | 328 | 39 | 155 |
| 2003 | 403 | 41 | 119 |
| 2004 | 397 | 45 | 132 |
| 2005 | 392 | 46 | 109 |

The state has historically been dependent on Federal funds to meet most of state needs, followed by general funds, while a small fraction of revenues comes from AMHS farebox. Aviation revenues for ADOT&PF are primarily in the form of Airport Improvement Program (AIP) revenues. These revenues average about \$184 million a year, not including airports in the international airport system.

E. Current and Future Funding at Risk

Funding Gap Between Needs and Revenues - In the statewide plan, transportation needs for the 2008–2030 plan period are quantified at \$33,445 billion; on an annual basis this calculates out to \$1.454 billion a year for all transportation functions. As ADOTPF receives about \$750 million a year in revenue, this leaves a shortfall of about \$700 million a year on state-owned facilities.

Underinvestment in State Transportation Infrastructure - The growing backlog is cited as a huge problem in the UAF *Alaska Marine Highway System Analysis*, the AML *Alaska Transportation Finance Study*, and in the 2030 Plan itself. Routine highway maintenance is under-funded and the backlog in life-cycle needs is over three times the level of spending in annual highway maintenance activities at the state level. Adding the AMHS unfunded needs to the State's annual funding gap of \$530 million increases the annual short fall to \$720 million.

Transportation Funding at Risk¹⁹

- The General Fund is used primarily for state matches on federal funds and to subsidize AMHS operating costs.

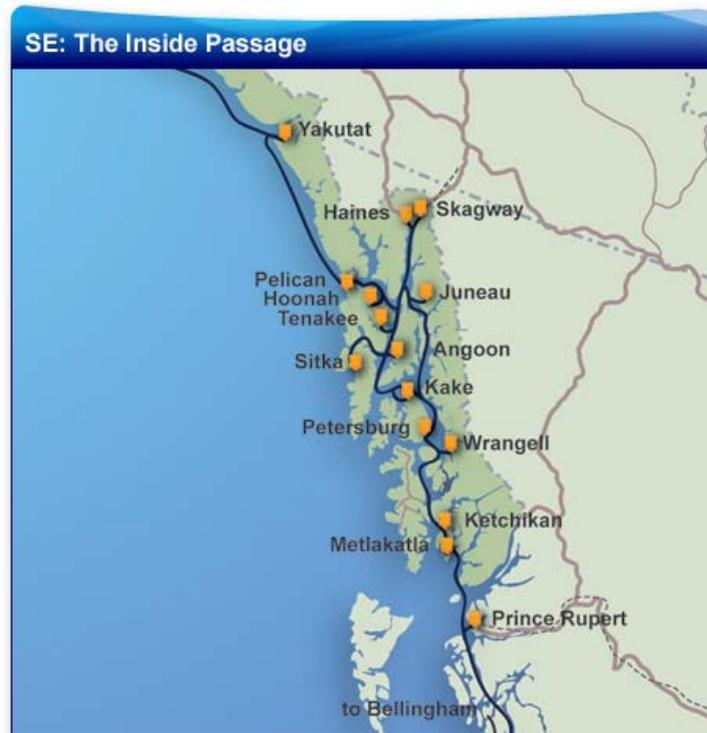
¹⁹ Source: *Alaska Transportation Finance Study, January 2009* produced by Cambridge Systematics for AML and statewide plan *Technical Appendix System Level Needs Analysis and Finance Analysis*.

- The prognosis for General Fund revenue beyond 2008 is not good as a source for highway funding. Alaska is running out of oil revenues and, without the gas pipeline (earliest 2015), state revenue will decline. Consequently, absent new revenue sources in the form of user fees other taxes, ADOT&PF will have to compete with other agencies for general fund revenue.
- Alaska has no highway fund or dedicated transportation user fees
- Alaska receives on average 75% of its transportation funding needs from federal sources. When the Federal Highway Trust Fund went broke this past year, Congress provided only one year of stopgap funding. Longer-term fixes may include lower levels of funding, which would increase state competition for federal allocations.
- The current negotiations over reauthorization are further reducing the differences between donor states (Alaska receives funding at higher level than most states).
- Reauthorization funding policies are placing more emphasis on tolling/user fees and metropolitan transportation networks than on highway funding or legislative earmarking. Some proposals push greater responsibility to states/cities for financing their transportation improvements.
- Alaska's future ability to secure relatively high-levels of funding from the federal program is at risk as the state may not have the same political influence near term.
- Federal support for Alaska transportation needs is being challenged by other states because of the perception that Alaska's financially better off than other states: there is \$28 billion in the Alaska Permanent Fund; Alaska is the only state that collects neither income taxes nor state sales taxes; and its 8 cents-per-gallon gas tax is the lowest rate in the country.

Finance strategies and mechanisms being pursued in the rest of the country have limited applicability in Alaska:

- User-fees have limited yield in the state due to high costs of highways, few users, and heavy industrial component.
- National trends for revenue bonds and tolls, and ultimately VMT based charges, are not viable in the state due to high costs and few users.
- Rest of the country is incrementally adding capacity to address congestion, while Alaska is building new corridors typically for economic development.

VII. ASSESSMENT OF EXISTING MARINE TRANSPORTATION SYSTEM



A. The Alaska Marine Highway System

AMHS is a critical part of Alaska’s transportation system and the National Highway System. For most communities in coastal Alaska, ferry service is their highway, providing connections to other communities and beyond. AMHS carries about 300,000 passengers and 100,000 vehicles every year. Service is provided using a fleet of eleven vessels, including five mainline ferries, five feeder vessels, and one local vessel. They are:

| Vessel | Vessel Class | Commissioned | Age |
|-------------|--------------|--------------|-----|
| Taku | Mainline | 1963 | 44 |
| Malaspina | Mainline | 1963 | 44 |
| Matanuska | Mainline | 1963 | 44 |
| Tustumena | Feeder | 1964 | 43 |
| LeConte | Feeder | 1974 | 33 |
| Columbia | Mainline | 1974 | 33 |
| Aurora | Feeder | 1977 | 30 |
| Kennicott | Mainline | 1998 | 9 |
| Lituya | Local | 2004 | 3 |
| Fairweather | Feeder | 2004 | 3 |
| Chenega | Feeder | 2005 | 2 |

AMHS Employment and Payroll - AMHS employs 960 Alaskan residents and 50 nonresidents, for a total workforce of 1,010 people. AMHS employees earned a total of \$59 million in payroll

and \$31 million in benefits in FY 2007. Because 93 percent of the AMHS workforce is Alaska resident, it is estimated that residents earned \$55 million in payroll and \$29 million in benefits.²⁰

Freight - Congress designated Alaska's mainline marine vessels and facilities as part of the national system recognizing the importance of marine transportation to interstate commerce. This made AMHS vessels and ferry terminals eligible for up to 90% in federal funding.

B. Non-State Operated Ferry Services:

There are a number of non-state operated ferry services in Alaska. These services form an integral part of the transportation infrastructure. The non-state operated ferry service in Southeast Alaska is the Inter-Island Ferry Authority (IFA), a public corporation organized under Alaska's Municipal Port Authority Act. It was formed in 1997 in recognition of the need for improved transportation to island communities in southern Southeast Alaska. IFA provides daily service between Hollis and Ketchikan and round-trip service from Coffman Cove to Wrangell and Petersburg three days per week. IFA vessels connect with AMHS at Ketchikan, Wrangell and Petersburg.

Consistent with the State's strategic goal/priority four, the Central Council has now proposed a pilot 'Short Sea' project, in which the Tribe will partner with Allen Marine Inc. to operate a documented U.S. vessel to run a feeder route between the villages of Angoon, Elfin Cove, Hoonah, Kake, Pelican, Sitka, Tenakee Springs and Juneau, with Sitka acting as the hub.

C. Marine Transportation Advisory Board

The Marine Transportation Advisory Board (MTAB) is established pursuant to AS 19.65.110 and consists of 11 members, who are appointed by the governor for 4-year terms. The MTAB is to confer with the Transportation Commissioner on candidates for the AMHS director/deputy commissioner position. The Board may establish volunteer regional advisory committees, issue reports and recommendations, and work cooperatively with ADOTPF to prepare and submit to the Department and the Governor for review a strategic plan that includes the mission, core values, objectives, initiatives, and performance goals of the AMHS. Meetings are at the call of the chair at least 4 times per year.

D. Southeast Alaska Transportation Plan (SATP)

The SATP is one of a series of region-wide, multi-modal transportation plans that are components of the statewide transportation policy plan. The *2004 Southeast Alaska Transportation Plan* is currently being updated with these assumptions: \$30 million per year new construction (\$5m for new airports; \$25m for new/extended roads and ferry/terminal improvements); and \$50 million per year for refurbishment/deferred maintenance (\$10m for airport improvements; \$15m for SE ferry improvements; \$25m for roadway improvements, including local roads on state system).

²⁰ Source: Alaska Marine Highway System Study, September 30, 2008.

1. The 2004 Mission and Goals

The 2004 Southeast Alaska Transportation Plan (SATP) includes three fundamental highway elements that better link the region at large to the continental highway system:

- The preferred alternative for the Juneau Access project is a road up the east side of Lynn Canal connecting Juneau to Skagway (includes a short shuttle ferry crossing to Haines).
- In southern Southeast, the construction of new highways would establish a through connection from Ketchikan to the Cassiar Highway in Canada. The new route would also include connections to Wrangell and Petersburg, and shuttle ferry links that would ultimately could be replaced with bridges. With these links in place, travel between these communities and trips into Canada, would no longer require a lengthy ferry trip.
- A highway from Sitka across Baranof Island would improve the level of ferry service to Sitka and reduce cost to the traveler and the state.

The 2004 SATP Mission: To increase system capacity and improve efficiency, shift from a surface network that is based on long-distance ferry runs to a surface network that relies on land highways to connect communities and other destinations. Land highways will dramatically expand activity and mobility by increasing traveler flexibility, choice, and speed while reducing or eliminating toll costs. The 2004 goals:

- Transportation System Efficiency: Provide regional transportation facilities and services in the most efficient and cost-effective way possible.
- Transportation Mobility and Convenience: Improve the mobility and convenience of the regional transportation system in Southeast Alaska.
- Economic Vitality: Support local economic development and strength through the provision of adequate and affordable transportation for people, goods, and vehicles.
- Transportation System Safety: Improve the overall safety and reliability of the regional transportation system in Southeast Alaska. Objectives:
- Long-Term Funding Stability: Secure stable long-term funding to implement the Southeast Alaska Transportation Plan. Objectives:
- Consultation with Affected Communities, Tribal Entities, Business, and the Public and Provision of the Opportunity for Public Comment: Inform and provide opportunity for community, tribal, business, and public input. Objectives:
- Continuation of the Planning Process: As appropriate, integrate political and project (environmental and design study) decisions into the SATP by amendment. Objectives:

2. 2010 Draft Mission and Goals

The 2010 Updated Mission: Develop a regional transportation plan that improves mobility for residents, goods, and services throughout the region by using the advantages of air, marine, and land transportation. The updated goals:

- Enhance Regional Mobility: Improve transportation opportunities based on demand, reliability, frequency, speed, safety, affordability, environmental responsibility, and the unique character of our communities.

- Support Economic Vitality: Improve regional transportation opportunities for commerce; provide basic infrastructure needed to encourage business and growth within each community and throughout the region; and support development of utility lines, energy, and other natural resources.
- Improve System Efficiency: Develop a transportation system that is sustainable for the future; make choices that are cost effective to the user and the state; and, where reasonable, coordinate the development of transportation and utilities to reduce environmental impact and gain efficiencies.
- Maintain or Improve Modal Safety: Apply sound engineering principles, including intelligent transportation systems technology; provide adequate maintenance; and work with enforcement, educational and emergency medical response entities.
- Ensure Public Process: Consult with affected communities, tribal governments, local governments, state and federal agencies, businesses, non-governmental organizations, and the general public; provide opportunities for input.

3. 2004 Plan - The Long Term Vision

By 2025, the surface network of primary highways will still be incomplete. During the interim, shuttle ferries will be required to bridge several critical gaps and ferries will remain vital to serving routes and communities isolated by waterways and wilderness. With respect to ferry operations, the SATP includes mainline routes, shuttle ferry connections, and further evaluation of options for one or more shuttle or circuit ferry routes to serve less populous communities in the Northern Panhandle. The new highways will require shuttle ferries to bridge the gap between Haines and the Lynn Canal Highway, across Behm Canal, across Bradfield Canal, and between Wrangell and Petersburg until a road connection can be accomplished. The *Aurora* may provide interim summer service between Haines and Skagway beginning in 2005 to serve traffic demand.

The Mainline Ferry: The mainline ferry is currently the primary means of moving personal vehicles into and out of communities in Southeast Alaska, and is the only way to travel with a vehicle from Southeast to the interior of the state and to the Lower 48 without driving through Canada. Mainline service will be maintained commensurate with traffic demand and revenue cost recovery. By 2010, the mainline fleet serving Southeast Alaska will be reduced from five to three ferries. Between 2010 and 2018, two of these vessels will have been replaced with new ferries. Two will serve between Juneau and Bellingham, stopping at the principal communities on the mainline route in Southeast Alaska. The *Kennicott* will serve between Whittier and Prince Rupert, B.C. Construction of the highway between Juneau and Skagway will enable the mainline ferries serving the Bellingham point of origin to turn south in Juneau instead of Skagway. Following completion of a road between Juneau and Skagway along the east side of the Lynn Canal, Juneau would become the northernmost port on the mainline route in Southeast Alaska.

Mainline ferry segments that provide an alternative to a through highway should be priced to recover the cost of service as it is not considered critical when a highway alternative is in place. Currently, the Bellingham segment recovers its cost and the cross-Gulf of Alaska service operates at close to breakeven.

Shuttle Ferry System: The purpose of the primary shuttle ferry system is to increase the mobility of Southeast Alaska residents by significantly increasing the frequency of service between

Southeast communities during convenient daytime hours. More specifically, travelers and freight will be able to move between all communities within the region and complete the trip in one day. Several current AMHS vessels will be retired from the fleet by 2010. The *M/V Bartlett* was retired in 2003. The mainliner *M/V Taku* will be laid up in 2004, following successful deployment of the *Fairweather* and repair of the *LeConte*. The *M/V Aurora* will work in Prince William Sound in 2004 and will either be retired or redeployed in 2005. One proposal is to redeploy the *Aurora* between Haines and Skagway during the summer until a new Haines-Skagway shuttle ferry is needed to meet demand. The Southern Gateway Shuttle is anticipated to arrive in 2008, at which time the *M/V Matanuska* will be retired.

In summary, the long-term vision calls for 13 ferries (and related terminal improvements) to serve the region. In addition to mainline service, the following ferry elements need to be added to the surface network during the next 20 years to bridge the gaps in the highway network. The estimated cost of new ferry construction and refurbishment during the next 20 years is presented in current dollars below. Operations costs are estimated based on the estimated number of weeks each ferry is anticipated to operate in a year.

| AMHS Fleet Expenditures through 2025 – In Million \$ | | | | |
|---|---------------------------|----------------------|------------------------|--------------------------------|
| Ferry | New Vessel Constr. | Refurb. Costs | Operating Weeks | Maint. & Operations |
| Malaspina | 0 | 6 | 46 | 11 |
| Bellingham Mainliner | 120 | 26 | 46 | 14 |
| Columbia | 0 | 23 | 26 | 8 |
| Bellingham Mainliner – Seasonal | 120 | 6 | 26 | 8 |
| Kennicott Prince Rupert – Whittier | 0 | 26 | 46 | 11.5 |
| Haines/Skagway (Katzehin) Shuttle | 17 | 11 | 46 | 0.8 |
| Matanuska | 0 | 0 | 46 | 11 |
| Taku | 0 | 0 | 46 | 9.5 |
| LeConte | 0 | 0 | 46 | 6 |
| Aurora | 0 | 5 | 46 | 6 |
| Juneau – Petersburg FVF Shuttle | 40 | 14 | 46 | 4.5 |
| Ketchikan – Petersburg FVF Shuttle | 40 | 11 | 46 | 4.5 |
| Fairweather Sitka Shuttle | 0 | 16 | 46 | 4.5 |
| Ketchikan – Prince Rupert Shuttle | 67 | 12 | 46 | 4.5 |
| Northern Panhandle Shuttles | 45 | 12 | 46 | 4.5 |
| Lituya | 0 | 10 | 46 | 1.2 |
| Behm Canal Shuttle | 8 | 5 | 46 | 0.9 |
| Bradfield Canal Shuttle | 25 | 5 | 46 | 1.7 |
| Total | 482 | 188 | | 112.1 |

In general, these services will be operated and subsidized by the state through AMHS, which is an “essential part of the Alaska transportation system.” IFA, and similar authorities, can play an important role in operating specific services.

Deployment of Fast Vehicle Shuttle Ferries: A fast shuttle ferry system is proposed to replace two mainline ferries in the short term and ultimately, in conjunction with the planned extension of the highway system, provide the primary connection between the communities of Juneau, Sitka, and Petersburg in the Northern Panhandle. Three fast vehicle ferries would serve to move traffic through the region and between communities on a convenient and regular schedule.

Three fast vehicle ferries and the new Southern Gateway Shuttle ferry would initially fill the gap in the regional highway system for traffic moving through the region. When the new highway-shuttle connection for Juneau, Haines, and Skagway is completed, the *Fairweather* would connect Sitka and Juneau, and the remaining two fast vehicle ferries would connect Juneau and Ketchikan via terminals and transfers in Petersburg.

E. AMHS Rate Analysis

The data/information source for section A.1 and A.2 is the *Passenger/Vehicle/Cabin Rate Study for the Alaska Marine Highway System* prepared by Northern Economics Inc. and submitted to AMHS in April 2008. For section A.3 the *UAF Alaska Marine Highway System Analysis* is the data source. This chart presents passenger/vehicle data for the 1963 to 2008 period.

| TOTAL PASSENGERS/VEHICLES – 1963 TO 2008 | | | | | | |
|--|----------------------|--------------------|----------------------|--------------------|------------------|----------------|
| Year | Southeast Passengers | Southeast Vehicles | Southwest Passengers | Southwest Vehicles | Total Passengers | Total Vehicles |
| 1963 | 83,975 | 16,289 | -0- | -0- | 83,975 | 16,289 |
| 1965 | 123,722 | 26,819 | 8,209 | 3,184 | 131,931 | 30,003 |
| 1970 | 141,885 | 36,096 | 25,875 | 7,838 | 167,760 | 43,934 |
| 1975 | 229,455 | 55,506 | 45,175 | 12,810 | 274,630 | 68,316 |
| 1980 | 275,778 | 63,167 | 49,463 | 14,021 | 325,241 | 77,188 |
| 1985 | 313,147 | 79,757 | 56,282 | 16,509 | 369,429 | 96,266 |
| 1990 | 363,122 | 94,730 | 50,271 | 16,310 | 413,393 | 111,040 |
| 1995 | 332,712 | 88,942 | 45,373 | 15,031 | 378,085 | 103,973 |
| 2000 | 301,176 | 82,614 | 50,284 | 17,521 | 351,460 | 100,135 |
| 2005 | 233,667 | 67,938 | 48,569 | 18,580 | 282,236 | 86,518 |
| 2008 | 267,927 | 82,022 | 72,011 | 27,809 | 339,938 | 109,831 |

In 2008 nearly 340,000 passengers and 110,000 vehicles traveled along the Alaska marine highway. System routes included 33 regularly scheduled port calls and a fleet of 11 vessels. In 2007 AMHS carried more than 300,000 passengers, 100,000 cars and RVs, and 3,400 freight vans. Vessels operating in Southeast Alaska carried 78% of passenger traffic, followed by Prince William Sound (14%), and Southwest including Kodiak (8%).

More than one half of all AMHS traffic was made up by Alaska residents, who live in communities with ferry service. An additional one tenth of traffic consisted of people living in Anchorage and Fairbanks. Non-Alaskan visitors made up one-third of all AMHS traffic.

| AMHS Traffic by Passenger Residence, 2007 | | |
|---|----------------|--------------|
| Passenger Residence | # Trips | % Passengers |
| Alaska residents | 212,701 | 68% |
| Southeast | 150,703 | 48% |
| Gulf Coast | 31,865 | 10% |
| Anchorage/Mat-Su | 21,021 | 7% |
| Interior | 6,807 | 2% |
| Southwest | 1,677 | 1% |
| Northern | 236 | <1% |
| Unknown AK | 392 | <1% |
| Nonresidents | 101,574 | 32% |
| All AMHS traffic | 314,275 | 100% |

1. Impact of AMHS Fare Structure on Community

For each service, fares for routes of 501+ nautical miles are relatively stable. The greatest variation in fares per nautical mile occurs on routes of 0-50 nautical miles in all regions and for all services. Fares on routes of 51-100 nautical miles also show high levels of variation, while fares per nautical mile on routes more than 300 nautical miles show very little variation.

AMHS passenger fares for routes longer than 50 nautical miles are lower than average off-peak fares of the other ferry routes analyzed. Passenger fares for routes 0-50 nautical miles and for inside and outside cabin services at all distances tend to be between the peak and off-peak fares for other ferry services. With the exception of routes of 51-100 miles, average fares for vehicles up to 19 feet are higher than average peak fares for other ferry routes. This means that there is more variation and higher fares per mile for traveling to and from small communities than for traveling to and from the state.

2. Changes to Community Service Were Identified

The UAF *Alaska Marine Highway System Analysis* examined one community from each region: Angoon, Cordova, Port Lions, and Sand Point. Angoon was the only one with decreased services. In 2007, there were 105 ferry departures from Angoon - significantly fewer than the 5-year average (2002-2006) of 241 for departures from Angoon. This compared to 302 ferry departures from Cordova with an annual average of 215, 119 ferry departures from Port Lions with an annual average of 75; and 26 departures from Sand Point with an annual average of 14.

| Profile of Communities Served by the Alaska Marine Highway System, Southeast Region | | | | | | | | | |
|---|----------------------------|----------------|----------------|--------------------|---------------|-----------------|--------------|---------------|-------------------------------|
| Community | Total Embarking Passengers | | | Total Emb.Vehicles | | Port Departures | | Pop. 2006 | Per Capita Income Census 2000 |
| | 1999 | 2006 | Summer 2006 | 1999 | 2006 | 1999 | 2006 | | |
| Angoon | 4,012 | 3,410 | 1,284 | 716 | 539 | 273 | 239 | 482 | \$11,357 |
| Bartlett Cove | -- | 461 | 461 | -- | -- | -- | 4 | 441 | \$21,089 |
| Bellingham | 14,924 | 15,294 | 9,640 | 4,570 | 5,721 | 54 | 74 | -- | -- |
| Haines | 41,329 | 31,249 | 20,428 | 14,441 | 11,448 | 597 | 612 | 1,492 | \$22,505 |
| Hollis | 21,656 | 83 | -- | 5,729 | 21 | 352 | -- | 156 | \$17,278 |
| Hoonah | 6,331 | 4,891 | 1,877 | 1,630 | 1,399 | 284 | 319 | 829 | \$16,097 |
| Hyder | 473 | -- | -- | 167 | -- | 15 | -- | 92 | \$11,491 |
| Juneau | 79,567 | 65,269 | 40,216 | 19,881 | 18,361 | 678 | 988 | 30,650 | \$26,719 |
| Kake | 1,869 | 1,708 | 560 | 383 | 368 | 159 | 170 | 536 | \$17,411 |
| Ketchikan | 54,421 | 36,736 | 17,477 | 15,009 | 11,291 | 1,007 | 1,014 | 7,662 | \$22,484 |
| Metlakatla | 6,530 | 13,278 | 4,811 | 1,762 | 4,539 | 236 | 510 | 1,323 | \$16,140 |
| Pelican | 730 | 607 | 496 | 67 | 64 | 24 | 24 | 106 | \$29,347 |
| Petersburg | 12,109 | 9,965 | 5,234 | 2,677 | 2,623 | 537 | 523 | 3,129 | \$25,827 |
| Prince Rupert | 20,321 | 11,551 | 8,545 | 6,311 | 4,105 | 167 | 170 | -- | -- |
| Sitka | 15,161 | 12,853 | 7,574 | 3,868 | 3,537 | 325 | 323 | 8,833 | \$23,622 |
| Skagway | 34,725 | 21,826 | 17,201 | 9,120 | 5,672 | 298 | 311 | 854 | \$27,700 |
| Tenakee | 1,160 | 1,209 | 612 | 28 | 11 | 187 | 111 | 109 | \$20,483 |
| Wrangell | 8,222 | 7,446 | 3,915 | 1,709 | 1,843 | 428 | 470 | 1,911 | \$21,851 |
| Yakutat | 68 | 129 | 107 | 37 | -- | 10 | 20 | 609 | \$21,330 |
| Total | 323,608 | 237,965 | 140,438 | 88,101 | 71,609 | 5,631 | 5,885 | 59,214 | -- |

F. Alaska Marine Highway System Analysis – UAF

The source of information for this section is the *Alaska Marine Highway System Analysis, September 30, 2008*. The study team was lead by the Alaska University Transportation Center at UAF and included HDR, Information Insights Inc., McDowell Group Inc., and Van Horne Institute. The purpose of the systems analysis was to identify system financial and operation challenges, examine management and planning practices, and recommend methods and tools to ensure safe, reliable ferry service in keeping with the mission and objectives of the AMHS.

1. Baseline Assessment Results

The team produced and used a life-cycle analysis (LCA) model to analyze the current condition of the system and develop a benchmark to help plan for a more efficient, dependable and sustainable ferry transportation system. It included an assessment of status quo financial and operational conditions, an examination of management and planning practices, and the first analysis of lifecycle/replacement costs that has ever been done on the AMHS fleet.

Baseline LCA Results - The deficits between AMHS revenues and operating expenses have grown from \$21 million in 1997 to \$79 million in 2007. This annual gap is expected to grow to between \$150 and \$160 million by 2024. Thus, the state general fund support will rise to this level. On a per passenger mile and per vehicle mile basis, the deficit gap is even greater. With the inclusion of total life-cycle costs, the current state annual subsidies (state contributions to less annual system revenues) will rise from a current level of \$150 million per year to a much higher level during the next 20 years.

| AMHS Operating Revenue and Expenditures, FY 1995 - FY2007 ²¹ (in \$ millions) | | | |
|---|---------------|--------------------|-------------------------|
| Fiscal Year | Total Revenue | Total Expenditures | Revenue as % of Expend. |
| 2007 | \$48.4 | \$144.3 | 34% |
| 2006 | \$51.0 | \$131.2 | 39% |
| 2005 | \$45.6 | \$99.3 | 46% |
| 2004 | \$43.6 | \$87.4 | 50% |
| 2003 | \$41.5 | \$84.6 | 49% |
| 2002 | \$32.2 | \$77.6 | 42% |
| 2001 | \$37.6 | \$78.9 | 48% |
| 2000 | \$38.3 | \$74.4 | 52% |
| 1999 | \$38.8 | \$71.4 | 54% |
| 1998 | \$37.1 | \$70.5 | 53% |
| 1997 | \$38.6 | \$70.9 | 54% |
| 1996 | \$38.5 | \$70.8 | 54% |
| 1995 | \$41.5 | \$71.9 | 58% |

²¹Source: UAF *Alaska Marine Highway System Analysis*. Revenue data was compiled from the *Revenue Sources Book* (Alaska Dept of Revenue); expenditure data was compiled from the *Governor's Operating Budget* (OMB).

| AMHS Total Operating Expenditures, FY 1994 - FY 2007 ²² (in \$ millions) | | | | | | | | |
|--|-----------------------|----------------------|----------------------------|-------------------------|-------------------|----------|-------|--------------|
| Fiscal Year | Reserva. Marketing | Vessel Ops Mgt | Marine Shoreside Ops | Marine Vessel Ops | Marine Engring | Overhaul | Other | Total |
| 2007 | 2.4 | 3.2 | 5.8 | 128.6 | 2.6 | 1.7 | - | 144.3 |
| 2006 | 2.4 | 2.0 | 5.2 | 118.2 | 1.9 | 1.6 | - | 131.2 |
| 2005 | 1.8 | 1.6 | 4.5 | 88.0 | 1.9 | 1.7 | - | 99.3 |
| 2003 | 1.8 | 1.6 | 4.2 | 76.1 | 2.1 | 1.5 | - | 87.4 |
| 2003 | 1.8 | 1.5 | 4.0 | 73.4 | 2.1 | 1.7 | - | 84.6 |
| 2002 | 1.9 | 1.3 | 3.9 | 66.9 | 1.9 | 1.7 | - | 77.6 |
| 2001 | 1.9 | 1.2 | 4.1 | 68.0 | 1.8 | 1.8 | - | 78.9 |
| 2000 | 1.8 | 1.0 | 3.9 | 64.3 | 1.6 | 1.7 | - | 74.4 |
| 1999 | 1.9 | 0.8 | 4.1 | 62.6 | 0.3 | 1.7 | - | 71.4 |
| 1998 | 2.2 | 0.9 | 3.8 | 58.5 | 0.6 | 1.6 | 3.0 | 70.5 |
| 1997 | 2.0 | 0.9 | 3.8 | 58.2 | 0.6 | 1.6 | 3.8 | 70.9 |
| 1996 | 2.3 | 1.4 | 3.7 | 57.8 | 0.6 | 1.8 | 3.2 | 70.8 |
| 1995 | 2.4 | 1.4 | 3.9 | 58.2 | 0.6 | 1.9 | 3.6 | 71.9 |
| 1994 | 2.4 | 1.3 | 3.8 | 57.0 | 0.6 | 1.7 | 3.6 | 70.6 |

| Component Breakout: Marine Vessel Operations Expenditures, FY 1995 - FY 2007 ²² (in \$ millions) | | | | | | | |
|--|----------------------|--------------------|----------------------|--------|-----------------------------|-----------------------|-------|
| Fiscal Year | Personal Services | Supplies Commod | Contract Services | Travel | Capital Outlay Equip. | Lands and Building | Total |
| 2007 | 78.9 | 35.0 | 13.0 | 1.6 | - | - | 128.6 |
| 2006 | 74.2 | 32.4 | 9.7 | 1.8 | - | - | 118.2 |
| 2005 | 56.1 | 21.9 | 8.8 | 1.0 | 0.1 | - | 88.0 |
| 2004 | 50.5 | 16.4 | 8.6 | 0.7 | - | - | 76.1 |
| 2003 | 50.2 | 14.9 | 7.5 | 0.7 | 0.1 | 0.1 | 73.4 |
| 2002 | 46.5 | 12.1 | 7.7 | 0.5 | - | - | 66.9 |
| 2001 | 45.6 | 13.9 | 8.1 | 0.5 | - | - | 68.0 |
| 2000 | 45.0 | 12.1 | 6.8 | 0.4 | 0.1 | - | 64.3 |
| 1999 | 45.9 | 9.7 | 6.7 | 0.3 | 0.0 | - | 62.6 |
| 1998 | 42.5 | 9.1 | 6.4 | 0.4 | 0.1 | - | 58.5 |
| 1997 | 42.0 | 9.9 | 6.0 | 0.3 | 0.0 | - | 58.2 |
| 1996 | 43.2 | 9.5 | 4.9 | 0.2 | 0.0 | - | 57.8 |
| 1995 | 42.9 | 9.8 | 4.9 | 0.4 | 0.2 | - | 58.2 |

2. Deficits Projected to Grow

In Phase I of the *Alaska Marine Highway System Analysis*, HDR produced an outline for life-cycle analysis (LCA) for use during Phase II of the systems analysis. The purpose of the LCA

²² Source: UAF *Alaska Marine Highway System Analysis*. Expenditure data was compiled from Governor's Operating Budget (OMB), Capital Improvement Program, Marine Management Support Services, and AMHS Administration.

was to analyze the current condition of the system and develop a benchmark to help plan for a more efficient, dependable and sustainable ferry transportation system as an integral part of the State's transportation network.

The baseline LCA indicates that the deficits between AMHS revenues and operating expenses have grown from \$21 million a year in 1997 to \$79 million in 2007. This annual gap is expected to grow to \$150 million to \$160 million a year by 2024. Thus, the state general fund support for operating costs will rise to this level. With the inclusion of total life-cycle costs, the current annual subsidies will rise from a current level of \$150 million per year to a much higher level during the next 20 years. AMHS operations subsidies (total annual equivalent lifecycle costs less equivalent annual system revenues) come from the state as the Federal Government does not subsidize operations).

3. Baseline Comparison of AMHS and BC Ferries (BCF)

The differences:

- BCF serves a largely concentrated population; the AMHS customer base is considerably smaller and more dispersed.
- Weather conditions in the AMHS operating area are generally more extreme.
- AMHS generates one third of its total income from tariffs/fares; BCF tariff/fare revenues are 10 times greater, accounting for 80% of total income.
- Cost recovery ratios for AMHS and BCF were 0.34 and 0.87, respectively. In 2007 BCF had net earnings of almost \$48.8 million. However, the cost recover ratio masks the fact that, while 3 major BCF routes are highly profitable (no subsidy), a majority of its routes serve smaller, more isolated population centers and require substantial subsidization.
- BCF charges for reservations generate about \$12.4 million annually. Limited AMHS capacity makes reservations a necessity rather than a convenience.

The similarities:

- The AMHS and BCF share a common marine heritage and are essential public services and integral components of their associated highway systems.
- Government departments/agencies must be prudent in their use of public funds; more than 90% of both the BCF and AMHS budgets go directly to service delivery.
- Initial analysis identifies many similarities between the current AMHS environment and the BCF environment 8 to 10 years ago: capital planning was minimal; vessel surveys did not exist as a basis for major refit and replacement planning; the project management environment lacked rigor and discipline. It is essential to work through service issues, as they will confound detailed capital planning.
- Initial analysis indicates that the tariff difficulties faced by BCF are present in the AMHS current environment. At the start of business, BCF fares were simple. By 2003 there was a complex tariff structure and >500 individual fares for 25 routes. Communities were effective in identifying inequities in proposed structures.

- BCF history has several useful lessons for AMHS and demonstrates the importance of basics. First, decision-makers must resolve what services they wish to provide and how much of the total cost the government can afford to subsidize.
- Customer Focus: Government tends to focus internally; management spends more time competing for government subsidies than for customer revenue, treating customer relations more as a frontline function and not a corporate-wide responsibility. Much work remains to be done at both BCF and AMHS.

4. Assessment Study Conclusions

Summary - BCF recent history illustrates the importance of the basics. First, decision-makers must resolve what services they wish to provide and how much of the total cost the government can afford to subsidize. Second, the management of the corporation must have the expertise, mandate, and tools to effectively implement the service plan and sustain the department. Key factors in the BCF this turn around were:

- Changing BCF from a crown corporation to a regulated quasi-private ferry operator with a mandate to operate on a commercial basis. This status enabled BCF to borrow in private markets and removed its debt from the province's books.
- Allocating \$0.01 per liter of motor fuel sold in the province to BCF to be used in conjunction with its operating subsidy, operating ferry revenues, and dockside business revenues.
- Developing and maintaining the multi-functional responsibility and reasonable strength of corporate management in all functional areas. BCF system upgrades included: improved budget forecasts; integrated business systems; vessel surveys and reliable estimates to sustain the fleet; route-by-route costing; a consistent tariff philosophy; long term traffic modeling; and new business expertise and greater diligence.
- Collaborating with government decision makers and stakeholders to determine issues, needs and financial capabilities.

Governance – Two 2003 legislative changes effectively sustained BCF and enabled fleet renewal: changing BCF from a crown corporation to a regulated quasi-private ferry operator with a mandate to operate on a commercial basis; and allocating \$0.01 per liter (\$.04 per U.S. gallon) of motor fuel sold in the province to BCF. With those changes, an independent regulator was created to review tariff increases and a 'fee for service' contract was negotiated with the Government.

This status enabled BCF to borrow in private markets and removed its debt from the province's books. In FY 2001, the first year of the sustainable funding program: public subsidies totaled \$94.4 million (\$72 million from BC Province /\$22.4 million from Canadian Government); retained earnings for the year were \$9.8 million; subsidies for the 2006/07 fiscal year totaled \$117.7 million (\$92.4 million from the BC Province service contract/\$25.3 million from the Canadian Government); retained earnings for the year were \$48.8 million.

Operating Expenditures: The BCF experience shows that there is little room for cost reduction without tackling routes/schedules. Operating costs are driven by routes, schedules, and work

rules that, in turn, drive wages, benefits, and fuel costs. Vessel crew costs dominate wage/benefit expenditures and are fixed due to regulatory requirements. Other than reducing service, it is very difficult to achieve significant efficiencies in these areas.

Before 1999, BCF often cut maintenance to meet budget: cheap solutions were used; non-regulatory procedures were postponed; maintenance planning was undermined/a backlog built; and service reliability was degraded due to breakdowns. In 1999, BCF began to cut costs, initially saving \$5m annually and eliminating 20% of non-union, non-operating positions. Over five years, the total cost savings grew to \$10m annually (2.5% of total costs or 4% of the total wages/benefits). New computer systems and operating procedures have streamlined workflows and further reduced labor costs. Debt service costs and amortization of these capital investments were more than offset by the savings.

Capital Expenditures - In 1999, capital planning was minimal; vessel surveys did not exist as a basis for major refit and replacement planning; the project management environment lacked rigor and discipline. In 2001, after 2 years in development, BCF finally had a comprehensive plan to guide capital investments and operations. The 15 year plan went through several revisions until the deficit was eliminated.

Tariff Revenues – UAF analysis indicates that the tariff difficulties faced by BCF are present in the AMHS current environment. At BCF's entry into the business, fares were simple. By 2003 there was a complex tariff structure and more than 500 individual fares for 25 routes. Ferry dependent communities were effective in identifying inequities in proposed structures. Correcting this involved detailed accurate route-by-route costing signed-off by the corporation's auditors, a philosophy of equitable fares for similar route, and use distance-based fare structure, similar to taxis. Stakeholder support for new structures/systems/rates was obtained, after extensive consultation.

In 2001 BCF was given a dedicated motor fuel tax revenue of \$0.04 per gallon to supplement their federal subsidy and business revenue; there was an added stipulation that BCF must at least break with this combination of revenues. In 2003 this commercial viability stipulation was enshrined legislatively, thus providing impetus to keep fares/expenditures aligned or to adjust the service to reflect the government's financial capabilities. Since 2003, tariffs have been increased annually. Fare increases cannot exceed price caps for major and minor routes, set every 4 years by the new BC Ferry Commissioner. The tariff follows a distance-based philosophy that takes into consideration operating and capital requirements within similar route groups. The philosophy is consistently applied.

Other Revenues - *Food/Beverage*: Before 2000, BCF accounting systems made it difficult to determine profits and losses. After 2000, changes in organization structure, systems, and branding partnerships have improved profitability/quality. In 2007, BCF was one of the top ten retailers in BC. *Parking*: In 2001, BCF initiated partnerships with parking lot management companies; parking revenue is up from \$1 million in 2002 to \$2.8 million in 2007. *Reservations*: BCF generates about 12.4 million annually (the current fee is \$17.50/car; 33% of ticket price).

Corporate Strategy - Although difficult to initiate and carry out, key factors in the BCF this turn around were: improved budget forecasts; integrated business systems; vessel surveys and reliable estimates to sustain the fleet; route-by-route costing; a consistent tariff philosophy; long term traffic modeling; and new business expertise and greater diligence. All basic systems were upgraded or replaced, resulting in consistent, quality, timely information that could then be use in performance measurement; BCF is now structured to meet its mandates; BCF has re-developed project management skills necessary to implement corporate systems, strategies, and a complex capital program; customer relations still need work.

Service Planning - In the past, the lack of route-by-route financial data inhibited development of a service plan that balanced community needs, subsidies and tariffs. Today, although BCF route structure has changed little over the past decade, detailed analysis of the traffic data, costs and fares have enabled changes that reduce expenditures, increase tariff and non-tariff revenue and plan vessel replacements. Regular consultation and the provision of accurate information to ferry dependent communities continues to play an important role in planning and corporate relations.

Service Delivery - Insufficient effort was devoted to corporate standards and processes for operations and safety procedures; matters were left in the hands of individual masters. A fatal accident in 1996 resulted in the implementation of a safety management system under the International Safety Management Code. Maintaining its integrity is an ongoing challenge.

Routes/Schedules - Two BC government administrations carried out detailed evaluations of ferry routes/schedules between 1999 and 2003. Only minor schedule changes resulted. The most significant savings occurred on profitable, major routes and involved extra sailings to cope with unexpected traffic demands. Improved financial and historical traffic information was used to manage resources more efficiently. Service levels to ferry-dependent communities have now been enshrined in a service contract between the government and BCF. The initial five-year contract will be renegotiated every four years. On a year-to-year basis, routes and schedules have become more predictable.

Regulatory Lessons – Canadian marine operations are regulated by Transport Canada (TC) and governed by the recently revised Canada Shipping Act. Before the revision, it provided TC Inspectors with extraordinary powers to enforce individual opinions that could only be challenged through lengthy appeals to an Ottawa-based Board. The end result: rules were applied in hindsight and not used to achieve an optimum solution; many unplanned/unbudgeted costs arose after inspections; and relationships with regulators tended to be adversarial. It has taken a concerted and ongoing effort by TC and BCF to work through these issues. Consistent effective management of the relationship with regulators and similar authorities is critical to safety management and essential to maintaining control over related expenditures.

VIII. TRIBAL ASSESSMENT FINDINGS/CONCLUSIONS

A. General Transportation Impacts on Communities

Transportation helps shape an area's economic health and quality of life. Not only does the transportation system provide for the mobility of people and goods, it also influences patterns of growth and economic activity by providing access to land. The performance of the system affects public policy concerns like air quality, environmental resource consumption, social equity, land use, urban growth, economic development, safety, and security.

Most Southeast communities are scattered throughout the region on islands. The Alaska Marine Highway System provides access to necessary services in the larger communities. For those communities, transportation represents a major share of most household, business, and government expenditures. Marine transportation price structures can impose significant burdens on households with limited income.

B. Economic Environment and Current Trends Affecting Rural Services

These are the trends in this 2009 economic environment that will impact marine transportation projects/services:

Current Statewide Funding at Risk²³ - About 75% of Alaska's funding is federal, which is expected to decrease. Also, other states are now looking for a fairer distribution of funds between states, which may also reduce Alaska's current share. As for the required state matches, the current forecast is for a decrease in state oil revenues. This means DOT&PF will have to compete with agencies for general fund appropriations from a decreasing revenue stream.

The Annual Transportation Funding Shortfall – In its state plan, Alaska has identified \$33,445 billion for its statewide transportation needs for the entire plan period up through 2030, although it hasn't quantified any AMHS system development needs. This calculates out to \$1.454 billion a year in needs for all transportation functions; \$179 million of that are AMHS annual needs. However, the Department only receives about \$750 million a year in revenue. The Alaska Marine Highway generates average revenue of \$48.4 million per year (over the last 3 years). This means that is a shortfall of about \$700 million a year on state-owned facilities (excluding local roads and street needs).

Underinvestment in Transportation Infrastructure - Adding the AMHS unfunded needs to the State's total transportation funding shortfall, increases the total annual deficit to \$720 million. This gap calculation does not take into account rural community needs.

Future Funding at Risk – The baseline life-cycle analysis in the UAF Systems Analysis indicates that the deficits between AMHS revenues and operating expenses have grown from \$21 million annually in 1997 to \$79 million in 2007. This annual gap is expected to grow to \$150 to \$160 million a year by 2024.

²³ Source: *Alaska Transportation Finance Study, January 2009* produced by Cambridge Systematics for AML.

Alaska doesn't have dedicated taxes or highway user fees and the small population base won't generate enough revenue to pay for infrastructure. Thus, financing strategies and mechanisms like public-private partnerships, tolling, and other approaches may have limited applicability.

Growth in Travel Demand - Forecasts indicate continued growth in traffic on the existing highway system, while revenues are expected to decrease. This will further constrain funds and services to rural communities.

Increasing Construction/Commodity Costs – The costs of doing business in Alaska have increased far faster than the rate of inflation and are higher than the national average. Cost escalation impacts new projects, operations, and maintenance and reduces the buying power of funds considerably.

Unknowns in the Budget - More stringent security requirements, responsibilities to transportation-disadvantaged individuals, and ecological requirements to minimize climate change and green house emissions will have an impact on the budget. Aviation and marine transportation have large carbon footprints per person mile traveled compared to highway use.

Rural Alaskan communities are failing and yet studies show that there is more variation and higher fares per mile for traveling to and from small communities than for traveling to and from the state, and that the Southeast community was the only one showing decreased services of four communities selected for study in the *UAF Alaska Marine Highway System Analysis*. Reliable affordable transportation services are becoming even more crucial to each rural community's existence.

Privatization - *CCTHITA Roads and Development* estimates that there is significant benefit to privatizing marine transportation services in Southeast Alaska and that the State has a responsibility to thoroughly evaluate and consider alternative management scenarios that may increase efficiency, improve costs, and increase services. This is why CCTHITA has become involved. Our goal is to operate a private/public marine highway system in Southeast Alaska using creative partnering and innovative strategies.

C. State Policies and Strategies Impacting Rural Services

The State's overall strategy, as specified in its statewide policy plan, is to 'prioritize needs, manage for results, constrain needs, and increase revenues.' That state plan lays out policies and strategies that will impact rural services.

Statewide Plan Policy 2: Establish statewide strategic priorities for transportation system development funding. Tribal Conclusion: The State's strategy involves prioritizing needs, constraining needs and increasing revenues. As the revenues are unlikely to increase enough to cover existing shortfalls, it is unlikely that the State can further develop the transportation system without reprioritizing. This doesn't bode well for rural areas, as the process and criteria that will be used to reprioritize projects have a strong urban focus.

State Policy 7: Identify system development needs that address travel demand growth, economic development, and funding strategies through regional and metropolitan plans. Tribal Conclusion: This policy allows the State to give weighted consideration to projects identified in regional and metropolitan plans, in which rural communities are not well represented.

Statewide Plan Policy 8: Preserve and operate Alaska's multi-modal transportation system to provide efficient reliable access to local, national, and international markets. Tribal Conclusion: This policy enables the state to focus resources on urban centers as the key connection to these national and international markets.

Statewide Plan Policy 13: Develop transportation plans in close coordination with local communities to ensure transportation investment decisions reflect Alaskans' quality of life values. Tribal Conclusion: This is the State's only policy that may address rural lifestyles. However, at best, the rural communities are one of the many balls in a governmental juggling act.

State Policy 14: The statewide plan will provide the analytical framework from which ADOT&PF sets investment priorities. Tribal Conclusion: This policy reinforces the statewide strategy for constraining and reprioritizing needs.

Statewide Plan Strategic Priority: Add strategic new system links to improve connectivity and reduce ferry links. Tribal Conclusion: The intent of this priority is to reduce the need for marine transportation options. Alternatively, the State could develop more cost effective ways to provide the services, such as through private operators. The service would still be subsidized, but less costly than state services.

Statewide Plan Strategy 1: Prioritize needs through an integrated planning process that evaluates choices and guides investment decisions based on fiscal realities. Allocate resources between categories of need, target system development to meet statewide plan development priorities, provide demand-driven capacity to accommodate growth, and use the regional and MPO planning process to identify the most beneficial projects. MPO and ADOTPF regional plan priorities will be funded first. Tribal Conclusion: The impact of this strategy is obvious; weighted consideration will be given to urban projects.

Statewide Plan Strategy 2: Manage for results and apply resources effectively through the application of best practices. ADOT&PF will institute a focus on the most strategic needs in the process through which funds are allocated. The strategy involves making a link between transportation system performance, investment decisions, and outcomes. Tribal Conclusion: This strategy will enable the State to focus resources on larger communities with intercommunity, interstate and international connections.

Statewide Plan Strategy 3: Constrain Needs. Integrate the regional, metropolitan, local area, and special transportation plans, set more modest twenty-year goals for system development, and look for new solutions to meet future travel demands. Target the National Highway System, Alaska Highway System, and other high-functional class routes. Tribal Conclusion: This strategy enables the state to target State surface transportation finance responsibilities on the

National Highway System, Alaska Highway System, and other high-functional class routes. It is unknown whether rural marine transportation is classified as high functional.

Statewide Plan Strategy 4: This strategy recognizes that increasing revenue for transportation is a critical element of *Let's Get Moving 2030*. Tribal Conclusion: It is important for the State to pursue all avenues for increasing revenue, including an examination of possible benefits of privatization.

The 2004 SATP Mission: Increase system capacity, improve efficiency, and shift from a surface network with long-distance ferry runs to one that relies on land highways and day shuttle service to connect communities and other destinations. 'Transportation service routing and scheduling decisions should be based on maximizing the overall system user benefits, versus benefiting a few users at the expense of the majority of the users. Decisions should be made to promote the most free and unrestricted movement of the greatest number of users possible between the communities and through the region by using the available transportation resources at the least cost to both the user and the state.' Tribal Conclusion: This regional goal and intent language is consistent with the direction set in the statewide plan. It will enable the state to focus transportation resources on higher population areas.

SATP Goal 1. Transportation System Efficiency: Provide regional transportation facilities and services in the most efficient and cost-effective way possible. Objectives: implement transportation improvements that reduce overall regional system operating costs; develop ferry route options and road-shuttle ferry combinations to improve service at lower cost to the user and the state; provide public infrastructure and services in support of a healthy competitive commercial environment in the provision of commercial air, marine, and land transportation services in Southeast Alaska; utilize ferries designed to serve specific travel markets in the most efficient manner. Tribal Conclusion: This goal opens the door to short sea services with non-state operators.

SATP Goal 2. Transportation Mobility and Convenience: Improve the mobility and convenience of the regional transportation system in Southeast Alaska. Objectives: provide more frequent transportation services that reduce duration between opportunities to travel between communities; reduce the time required to travel between communities through faster modes of transportation; provide more choices of transportation modes or options for travel between communities at convenient times of the day; improve reliability of service; improve connections and scheduling between transportation modes to reduce waiting times; provide convenient "real time" information to travelers so that they can plan their travel more efficiently. Tribal Conclusion: This goal opens the door to short sea services with non-state operators.

SATP Goal 3. Economic Vitality: Support local economic development and strength through the provision of adequate and affordable transportation for people, goods, and vehicles. Provide public infrastructure and services in support of a healthy competitive commercial environment for the provision of commercial air, marine, and land transportation services in Southeast Alaska; provide public transportation services to bridge transportation gaps that are uneconomic for commercial carriers to serve. Tribal Conclusion: This goal opens the door to short sea services with non-state operators.

SATP Goal 6. Consultation with Affected Communities, Tribal Entities, Business, and the Public and Provision of the Opportunity for Public Comment: Consider affected community, tribal, business, and public interests in decisions about transportation system needs and investments. Tribal Conclusion: Weighted consideration should be given to the importance of marine transportation services to the life of rural communities.

D. Alaska Marine Highway System Analysis – Tribal Conclusions

Tribal Conclusion: Marine transportation service provided must be subsidized. AMHS recovers only about a third of the cost of operating. There is huge incentive for the State to examine more cost effective ways of providing the service.

- The cost recovery ratio for BCF is 0.87. Even while mandating BCF to operate on a commercial basis, BCF operations are bolstered by a dedicated tax and an operating subsidy provided by the Government.
- The AMHS cost recovery ratio is 0.334. Baseline life-cycle analysis of AMHS indicates that the deficits between revenues and operating expenses grew from \$21 million \$79 million a year between 1997 and 2007. This annual gap is expected to grow to \$150 to \$160 million a year by 2024. AMHS has an average revenue of \$48.4 million per year (past 3 years).

Tribal Conclusion: The BCF turnaround came only after the Government changed its status to a quasi-private operator with a mandate to operate on a commercial basis. The State should evaluate the benefits of privatizing marine transportation services.

- This quasi-private status enabled BCF to borrow in private markets and removed its debt from the province's books.
- Insulating the service from governmental politics allows operators to focus on services and operational efficiencies.

Tribal Conclusion: Management must be strong and experienced.

- Operations management must have the expertise, mandate, and tools to effectively implement the service plan and sustain the department.
- Only in this way can one avoid the early management difficulties encountered by BCF: maintenance was cut to meet budget: cheap solutions were used; non-regulatory procedures were postponed; maintenance planning was undermined/a backlog built; and service reliability was degraded due to breakdowns.
- Under their new management regime, there are improved budget forecasts; integrated business systems, vessel surveys and reliable estimates to sustain the fleet; route-by-route costing, a consistent tariff philosophy, long term traffic modeling, and a new business expertise and greater diligence.

Tribal Conclusion: Capital planning must be carried out to ensure proper maintenance and replacement of necessary equipment.

- There are similarities in the current AMHS environment and the BCF environment 8-10 years ago: capital planning was minimal; vessel surveys did not exist as a basis for major refit and replacement planning; and the project management environment lacked rigor and discipline.

Tribal Conclusion: Union requirements increase personnel costs and impact scheduling. Contracting services to non-state ferry operators will bring about cost and operational efficiencies.

- In the case of AMHS and BCF, there is little room for cost reduction without tackling routes/schedules. Vessel crew costs dominate wage/benefit expenditures and are fixed due to regulatory and union requirements.
- In the longer term, labor/fuel efficiencies can be obtained when specifying/constructing new vessels.

Tribal Conclusion: Ensure the rate structure takes into account the socioeconomic status of rural communities. Weighted consideration must be given to the fact that the ferry system is the lifeline to small communities.

- In 2003, BCF had a complex tariff structure and more than 500 individual fares for 25 routes. The latest rate analysis points out inequities in the current AMHS system.

Tribal Conclusion: Customer relations is not a high priority in government provided service; conversely, it is of great importance to private operators.

- Government transportation monopolies tend to focus internally; management spends more time competing for government subsidies than for customer revenue; customer relations are treated as a frontline function and not a corporate-wide responsibility. This was true at BCF and is true at AMHS. Customer relations need work.

Tribal Conclusion: Collaboration with the government decision makers and stakeholders is crucial to successful service.

- Turning BCF around required extensive work with government decision makers and stakeholders to determine issues, needs and financial capabilities.
- Collaboration with the stakeholders on system upgrades/changes smoothes the way for implementation of those changes.

Tribal Conclusion: Active and consistent management of relationships with regulators and similar authorities helps safety management and expenditure control.

- Before the Canada Shipping Act was revised and BCF management was upgraded: rules were applied in hindsight and not used to achieve an optimum solution; many unplanned/unbudgeted costs arose after inspections; and relationships with regulators tended to be adversarial. It has taken a concerted and ongoing effort by TC and BCF to work through these issues.

IX. ALTERNATIVE MANAGEMENT OPTIONS

As the Tribe must decide how to organize future transportation operations, this section examines various organizational structures and service options.

A. Organizational Options

1. Preferred Tribal Option

Assumption: We now know that any marine transportation service that we provide must be subsidized. This will make our Roads and Transportation Department dependent on an outside source of funds as long we are providing the services envisioned.

The preferred tribal option is to provide a marine transportation service that supplements existing AMHS services, and to eventually organize a separate oversight entity, in which communities will have representation.

The Tribe's funding strategy is to access existing program funding and, as necessary, to seek appropriations at the state and national levels.

2. Municipal Port Authority Act

The Municipal Port Authority Act provides for the development of a port or ports for transportation related commerce within the territory of the authority. A port authority may be created by one of the following means:

- The governing body of a municipality may create by ordinance a port authority as a public corporation of the municipality.
- The governing bodies of two or more municipalities may create by parallel ordinances adopted by each of the governing bodies a port authority as a public corporation of the municipalities.
- One or more municipalities may join an authority established under (a)(1) or (2) of this section upon the adoption of parallel ordinances by the governing bodies of each affected municipality.
- A port authority created under this section is a body corporate and politic and an instrumentality of the municipality or municipalities creating it but having a separate and independent legal existence.

M/V Prince of Wales unloading in Hollis



The Inter-Island Ferry Authority and the Ketchikan International Airport Ferry are two examples of municipal entities incorporated under this Act. Prince of Wales Island communities of Craig, Klawock, Thorne Bay and Coffman Cove joined in a coalition with Wrangell and Petersburg to create the IFA in 1997 under the Municipal Port Authority Act. It is a public corporation dedicated to providing improved transportation to island communities in southern Southeast Alaska.

The IFA development plan includes both the Hollis-Ketchikan and Coffman Cove-Wrangell-Petersburg passenger/vehicle ferry routes. ADOTPF support for both routes was received in 1998. Alaska's Congressional Delegation secured funding for the two planned IFA vessels. The M/V Prince of Wales inaugurated daily scheduled service between Hollis-Ketchikan-Hollis in January, 2002. A sister vessel, the M/V Stikine has provided round-trip service from Coffman Cove to Wrangell and Petersburg, but is now on hold until further notice.

It is unknown where any cost efficiencies have been realized, but at the very least they were created for the sole purpose of providing marine transportation to southern southeast communities and are one step removed from the State's 'multiple use' juggling act.

The M/V PRINCE OF WALES and M/V STIKINE were built at Dakota Creek Industries in Anacortes, Washington. Passenger facilities include a forward observation lounge with recliner chairs, reading room, quiet room for passengers needing privacy, galley and restaurant, children's play area, and a solarium. Each vessel is certificated for 160 passengers, with a vehicle capacity of 30 standard autos, or 15 autos and 10 - 28 foot semi-trailers. The following is a picture of the M/V Prince of Wales unloading in Hollis.

3. Privatization

Should CCTHITA decide to pursue a privatization strategy with the state legislature to secure legislation directing ADOTPF to initiate privatizing efforts, the partnership would then bid on contracts. Alternatively, the Tribe could ask the Governor to consider making this an administrative order/directive. This section discusses the benefits of privatization.

In a report prepared by the Congressional Research Service, privatization is defined as 'the use of the private sector in the provision of a good or service, the components of which include

financing, operations (supplying, production, delivery), and quality control'. Generally speaking, private firms can provide goods and services "better, faster, and cheaper" than government. Competition and the profit-motive goad private firms to better produce products and services than government. Privatization also is desirable because it can spur economic growth by opening new areas of activity to entrepreneurs. Privatizing activities that the private sector can provide has also been justified as a means to improve government performance by forcing it to focus more sharply on its "core activities" rather than adjunct functions.

Privatization include the following activities: divestiture/load-shedding, contracting for goods, contracting for services (outsourcing), vouchers, quasi governmental entities (including government-owned contractor-operated facilities (GOCO)), third-party financing, grants to private parties, prize competitions, and the use of volunteers.

Studies Support Privatization - The desirability of privatization is rooted in the efficiency gains that result in transferring control of a publicly owned and operated enterprise or public service to the private sector. Research suggests that in most areas the private sector is more capable of delivering goods and services to the public efficiently than the public sector is. For instance, private operators face incentives distinctly different from those influencing public-sector bureaucrats. While private managers are concerned with maximizing profits in order to remain in business, the bottom line is of little consequence to government officials, who are far less concerned with ensuring profitable operations than they are in conforming to the wishes of their political masters. In fact, government-run services and enterprises are likely to receive grants and subsidies from the state if they are incapable of supporting themselves. Whereas private entities face competition for the delivery of a particular good or service, government enterprises and services maintain a monopoly over their operations. As a consequence, there is no incentive for public-sector bureaucrats to improve the quality of service. However, private entities must continuously innovate and provide quality services at reasonable prices to consumers in order to remain competitive and in business.²⁴

Numerous studies conducted on public enterprises, before and after privatization, conclude that privatization is successful in enhancing productivity. Public-sector entities employ capital far less efficiently than do private firms in the same industry. Given the inflexibility of workplace rules in the public sector, public firms are hindered in their ability to innovate and test new methods of production (Pirie 1988). A study conducted by Professor D.G. McFetridge of the department of Economics, Carlton University, concluded that evidence from around the world shows that the benefits of privatization are largely positive (C.D. Howe Institute 1997).

A study commissioned by the World Bank concluded that 60 companies from around the world showed, when privatized, efficiency gains of 11 percent, a 45 percent increase in profits, a 27 percent increase in output, and a growth in investments in plants and equipment of 44 percent. Given efficiency gains such as these, it should come as no surprise that in 1996 governments around the globe privatized almost \$86 billion of state-run services (National Centre for Policy Analysis 1997). Competition leads to innovation, efficiency gains, better product quality, and

²⁴ Study by The Fraser Institute on *Privatization Policy* can be accessed at http://oldfraser.lexi.net/publications/critical_issues/1998/bc_report/privatization_policy.html

superior customer service. Government-controlled services, on the other hand, impede innovation, yield fewer efficiency gains, and force consumers to bear the brunt of high costs. In short, privatization is the perfect prescription for making chronically inefficient and costly government services work better.

The BC Ferries Example²⁵ - BCF began to cut costs in 1999, initially saving \$5m annually and eliminating 20% of non-union, non-operating positions. Over five years, the total cost savings grew to \$10m annually (2.5% of total costs or 4% of the total wages/benefits). New computer systems and operating procedures have streamlined workflows and further reduced labor costs. Debt service costs and amortization of these capital investments were more than offset by the savings.

While these cost saving measures were helpful, it was only when the Government changed BCF from a crown corporation to a regulated quasi-private ferry operator with a mandate to operate on a commercial basis and legislatively allocated BCF \$0.01 per liter of motor fuel sold in the province that BCF had the way to move into an enlightened management era. The dedicated tax bolstered the operating subsidy and operating revenue so that BCF could meet vessel operational and fleet maintenance and replacement needs. This new status enabled BCF to borrow in private markets and removed its debt from the province's books.

In FY 2001, the first year of the sustainable funding program: public subsidies totaled \$94.4 million (\$72 million from BC Province /\$22.4 million from Canadian Government); retained earnings for the year were \$9.8 million; subsidies for the 2006/07 fiscal year totaled \$117.7 million (\$92.4 million from the BC Province service contract/\$25.3 million from the Canadian Government); retained earnings for the year were \$48.8 million.

It must be recognized that public transportation systems generally require a subsidy. Therefore, it is important that all options considered weigh service needs against corresponding ownership and operational costs in the interest of developing a transportation system that delivers service most efficiently.

B. Service Options

Short sea shipping is defined as commercial waterborne transportation that does not transit an ocean. *Ferry service* is defined as inland water transportation. In *wheel and spoke service*, there is one hub and as many spokes as desired:

- The small number of routes generally leads to more efficient use of transportation resources.
- Complicated operations, such as package sorting and accounting, can be carried out at the hub, rather than at every node.
- Spokes are simple, and new ones can be created easily.
- Customers may find the network more intuitive. Scheduling is convenient for them since there are few routes, with frequent service.

²⁵ Source: UAF Alaska Marine Highway System Analysis.

1. Pilot Short Sea Ferry Service - CCTHITA/Allen Marine



The CCTHITA proposed demonstration is a project designed to show that we can provide marine transportation services more cost efficiently than ADOTPF, which is burdened with huge multi-modal, multi-user public responsibilities.

Through our ‘Short Sea’ program, the *Roads and Transportation Department* will operate a documented U.S. vessel to run a feeder route between Sitka and Angoon, Kake, Juneau, Elfin Cove, Tenakee and Pelican, with Sitka as the hub. Thus, villages will be connected to the Alaska Native Medical Center, a comprehensive health facility that serves residents in these communities. Angoon, Kake, Tenakee, and Pelican have no road connection to the mainland city of Juneau, or the community of Sitka. Providing an improved connection with a short route system will increase passenger and shipper utilization, and connect them more efficiently to nearby urban systems and the National Highway System.

All villages have port and landside infrastructure to accommodate a documented vessel. The schedule should/will allow for coordination with the Alaska Marine Highway system and with the communities served. Currently the State ferry system is bottlenecked with servicing these rural communities; therefore this proposal will allow the State to provide better mainline service, but will provide a solution to providing efficient service to the targeted villages.

The proposed tribal effort is consistent with the State’s strategic priority four in which they indicate one of their goals is to transition to shuttle ferry operations. The proposed tribal program is also consistent with U.S. DOT’s *2006-2009 Strategic Plan*, which stipulates a strategy of working proactively with Tribes, States, local governments, industry and other transportation stakeholders to seek integrated approaches to resolving transportation issues, support community needs and give full consideration to local environmental conditions.

2. Short Sea Ferry Services – Freight Focus²⁶

In examining the short sea option, *Roads and Transportation* looked at other industry operators. One of those, SeaBridge USA, Inc., is a short sea shipping innovator that has studied the potentials of short sea options for years and now plans to introduce advanced high speed roll-on, roll-off ships to transport passengers and freight along America's coasts; creating new marine highways to bypass growing traffic congestion along I-95, I-10 and eventually I-5. The goal is to

²⁶ Source: Journal of Commerce Short Sea Shipping Conference- “Building A U.S. Waterborne Intermodal System”, April 19 & 20, 2004

add new capacity to the nation's existing highway system in a timely, economical and environmentally sensitive way.

Although the study did not address Alaska's unique scenario, we feel a more in-depth look was warranted because of the freight focus. Six years of investigation and study have convinced SeaBridge that services, which use the sea to increase the productivity and efficiency of the trucking industry, will enable the marine sector to add significant freight capacity to the U.S. transportation system by maximizing utilization of the existing highway system. Other marine services, which aim to get freight "back" from truckers by offering truck competitive price/service options directly to shippers, may succeed in moving some freight from the roads to the sea, but the market opportunity for such services is considerably more limited.

Advances in marine design and technology make it possible for roll-on/roll-off ships, designed to load and unload quickly using simple port facilities, to move 125+ tractors-trailers, other vehicles and people at speeds up to 46 mph. Deploying such vessels along U.S. coasts at key points within the existing highway system can create the functional equivalents of bridges, which truckers can take to transport their existing freight in less time than if they were to use their current road options.

In evaluating short sea shipping proposals, one needs to assess how each proposal would strengthen the efficiency of the overall freight transportation network. Short sea shipping, in this context, is being promoted as a national freight capacity solution. If coastal sea shipping services succeed and are, in fact, used by the widest possible customer base, they can provide economic growth through new employment and tax revenue; meet important environmental, congestion mitigation, and highway safety benefits; and support the U.S. shipbuilding industry and the defense mobilization base.

Stripped to its barest essentials, our short sea shipping vision to add freight capacity and generate public benefits is inextricably linked to the commercial success of proposed services. Those services with the widest freight market appeal can deliver what federal, state and local governments and the public want and the freight transportation system needs – more capacity with less environmental impact at lower cost and in a shorter time frame than any other infrastructure alternative.

Costs and Limits of Land-based Options to Add Freight Capacity - Although demand for freight transportation is expanding, capacity to move freight is not. Several factors are driving an increase in demand for transportation services in general, and for truck service in particular, including: changes in manufacturing and inventory management, increased use of direct business to consumer shipping generated by wider use of the Internet for sales, as well as substantially increased freight flows, accelerated by the North American Free Trade Agreement.

Between 1990 and 2000, vehicle miles went up 80%, but the number of lane miles of public roads grew by only 2 percent. That trend is expected to continue because adding freight capacity to U.S. road and rail networks is not only expensive, it requires long-term advance planning to create. Indeed, the next six-year highway reauthorization bill is expected to cost more than \$300 billion, but most of the money is earmarked for highway maintenance, not expansion. Adding

lanes to existing highways or building new ones costs on average \$32 million per lane mile, excluding the cost of overcoming public resistance to real or perceived negative environmental and economic impacts.

The speed and reliability of the freight system are expected to worsen, as vehicle traffic grows and congestion increases. Congestion levels on many U.S. highways are already reaching a point that shippers have been forced to formulate alternative strategies. These strategies include: mode and route changes, holding higher levels of inventory, increasing the size of their vehicle fleets, relocating warehouses and/or factories, finding vendors that are closer to production facilities, and reducing the number of shipments with larger order sizes. Such long-term redesign and restructuring will increase overall logistics costs and reduce productivity.

Technical and Operational Innovation - Advances in ship design and technology during the past ten years have produced faster, larger, and more fuel efficient vessels. Propulsion systems, such as waterjets, allow for faster, more maneuverable operation. Refinements in the shape of monohulls enable such vessels to carry 125 or more trailers or tractor-trailer combinations weighing more than 5,000 tons, to move at cruising speeds over 32 knots (36.8 mph). The patented pentamaran hull form can move the same number of trucks and deadweight at cruising speeds at or above 40 knots (just over 46 mph). Vessels able to move at least 125 full-sized tractor-trailers provide far greater operating economies than catamarans or trimarans, which can carry less than half that payload. The newer hull designs can be adapted to roll-on/roll-off configurations (commonly referred to as ro-ro, or ro-pax if they carry passengers and vehicles). Such vessels are designed to allow vehicles to drive on and off the ship, dramatically reducing port turnaround time, labor costs and the need for elaborate port facilities as opposed to container operations that require lift-on and lift-off equipment and facilities. Port locations can be determined by user needs in relation to the road network and proximity to key customer distribution centers, not the need for specific types of port facilities.

Carrying trucks, trailers, buses, cars and people at speeds up to 40 knots (46 mph) and being able to move in and out of ports quickly will increase substantially the ability of sea services to add new freight capacity because such services can add value to distribution through increased driver and vehicle productivity while still matching the speed with which goods are expected to move through the supply chain.

To work as bridges, these short sea services need to operate at times and with frequencies that match the users' needs. "Demonstration projects" will not work. Routes must be in place to offer scheduled, reliable, and consistent service before "sea bridges" will be integrated into the existing U.S. transportation network. To put these kinds of services in context, compared to other freight capacity options, the full capital cost of SeaBridge USA's proposed coastal services, including the construction of 12 ships in the U.S., creation of port facilities in 10 ports, and startup expenses and working capital needs for the first three years of operation, at which point the venture is expected to be profitable, is less than half of the lowest cost proposal to expand I-81 in Virginia. Successful East Coast sea bridges will benefit not only states in the I-95 corridor, but also reduce demand on bypass routes, such as that very same I-81.

Conclusions - Privately owned and operated short sea services can add capacity to the U.S. surface freight transportation system at a cost and in a time frame that compare favorably with almost all highway alternatives. Effectively developed and implemented, coastal shipping services offer the lowest cost, most timely solution to adding freight capacity to the US highway system.

U.S. transportation policymakers have been promoting the potential of the sea as a cost-effective way to build freight capacity. Yet, no current operator has come forward with a compelling commercial case for a service that will add freight capacity by attracting highway traffic to the sea. The simple truth is that no such capacity building alternatives will come into being without vision, innovation, and financial risk.

3. Day Shuttle Services Being Considered by the State

The Multiple Day Boat Shuttle option responds to the concept, as set out in the 2004 SATP, for new roads that shorten ferry routes and allow for the use of smaller, less costly day boats. The highest road priority is the Juneau Access Highway, a two-lane highway on the east side of the Lynn Canal that connects Juneau to a new ferry terminal at Katzehin.

In response to this new access option, shuttle ferry service under Option 4 is modified to include new day boat service between the new ferry terminal at Katzehin, and each of Haines and Skagway, distances of 5 and 18 miles, respectively. One to two shuttle ferries operate this service seven days a week, 16 hours a day. *Malaspina* and *Taku* are retired; the other mainline vessels are redeployed to satisfy the remaining service requirements. Avalanche interruptions on the Juneau Access Highway are anticipated to be intermittent for individual storm events, averaging 34 days per winter, with an average closure of two days, and a maximum closure of eight days (the latter in the event that the road is blocked and/or action is required to trigger an avalanche and then clear the resulting blockage). When the road is closed, the ferry service would be extended south to Slate Cove.

On-beam wind and sea conditions on this cross-canal segment strongly suggest the need for a large, closed vessel. Moreover, the requirement to run south to Slate Cove (in avalanche/winter conditions) requires a closed vessel. Consequently, AMHS envisions using the SESF that would transport 60 Alaska-standard vehicles and 500 passengers, and that could be redeployed from Katzehin and the northern Lynn Canal to the Prince Rupert-Ketchikan run or elsewhere in the AMHS system.

The associated costs for AMHS (capital costs for new or modified terminals and replacement ferries) are not yet accounted for in this analysis but will be accounted for in the Phase II LCA.

X. FUNDING AND RESOURCE OPPORTUNITIES

In this section we have identified resources that may be available to departmental efforts.

A. Tribal Resources²⁷

Training Modules

- Transportation Decision-Making Series: Tools for Tribal Governments
- Financial Planning
- Funding Resources Module

Federal Lands Highway Program (FLHP)

- Emergency Relief Program - Federal Roads (ERFO)
- Indian Reservation Roads Program (IRR)
- IRR and BIA Roads Maintenance Programs
 - IRR Roads Maintenance Program
 - BIA Roads Maintenance Program

- IRR Bridge Program (IRRBP)

- Park Roads and Parkways Program (PRP)

- Public Lands Highway Program (PLH)

- Refuge Roads Program (RRP)

Federal-aid Highway Program (FHP)

Highway Funding Programs

- Congestion Mitigation and Air Quality Improvement Program (CMAQ)
- Equity Bonus Program (EBP)
- Ferry Boat Discretionary Program (FBD)
- Highway Bridge Program (HBP)
- Highways for Life Pilot Program
- High Priority Projects Program (HPP)
- National Corridor Infrastructure Improvement Program
- National Highway System (NHS)
- National Scenic Byways Program
- Projects of National and Regional Significance Program (PNRS)
- Transportation, Community and System Preservation Program (TCSP)
- Truck Parking Facilities Program

Flexible Funding Programs

- Surface Transportation Program (STP)
- STP - Transportation Enhancements (STP-TE)

Non-Motorized Funding Program

- Recreational Trails Program

Safety Funding Programs

- Alcohol-Impaired Driving Countermeasures Incentive Program (Section 410)
- Child Safety and Child Booster Seat Incentive Program (Section 2011)
- Highway Safety Improvement Program (HSIP)
- Motorcyclist Safety Program

²⁷ Source: FHWA Tribal Transportation Planning provides planning and decision-making tools for tribal governments at: http://www.tribalplanning.fhwa.dot.gov/training_fund_module.aspx.

- Occupant Protection Incentive Grant Program
- Safe-Routes-to-School Program
- Safety Belt Performance Program (Section 406)
- State and Community Highway Safety Grant Program (Section 402)
- Public Transportation Programs
 - Transportation For Elderly and Persons with Disabilities Program (5310)
 - Rural and Small Urban Areas Program (5311)
 - Job Access and Reverse Commute Formula Program
 - New Freedom Program (5317)
- Other Funding Programs
 - Outdoor Recreation, Acquisition, Development and Planning Program
 - Rivers, Trails and Conservation Assistance Program
- Innovative Finance Methods
 - Grant Anticipation Revenue Vehicle (GARVEE)
 - Public Private Partnerships (PPP)
 - State Infrastructure Bank (SIB)

B. Federal Resources

U.S. Dept. of Transportation, Federal Highway Administration

Federal-Aid Highway Program - The State Highway Agency (SHA) is the recipient of Federal funds and is also responsible for administering the Program.

Federal Lands Highway Program (FLHP) assists with survey, design and construction of forest highway system roads, parkways and park roads, Indian reservation roads, defense access roads, and other federal lands roads. FLHP also provides program coordination, administration and design, and construction engineering assistance and directs the conduct of transportation planning and engineering studies.

Indian Reservation Roads (IRR) (under FLHP) are defined as any public road on an Indian reservation, Indian trust land, restricted Indian land, or Alaska Native Villages. In states where tribes do not have reservations, public roads that serve Indian communities and/or are primarily used by tribal members may be designated as IRR. The BIA and FHWA administer the IRR program jointly through an interagency agreement.

The Recovery Act appropriated \$1.5 billion of discretionary grant funds to be awarded by DOT for capital investments in surface transportation infrastructure. These are referred to as ‘Grants for Transportation Investment Generating Economic Recovery’ or TIGER Discretionary Grants.

The Transportation Equity Act provides: funding for the Congestion Mitigation and Air Quality Improvement Program and the Surface Transportation Program; transportation enhancement activities to be funded through a 10% set-aside from STP funds and a new 1% set-aside from FTA’s urban formula grant funds; environmental streamlining; transit benefits to support commuter choice; and value pricing (reducing congestion/emissions, increasing efficiency).

The National Scenic Byways Program is a grass-roots effort established to help recognize, preserve and enhance selected roads throughout the United States. Program funds may be used to establish a state or Indian tribe scenic byway program.

FHWA Transportation Enhancement Program offers communities funding to help expand transportation choices such as safe bicycle and pedestrian facilities, scenic routes, beautification, and other investments that increase recreation opportunity and access. Communities may also use TE funds to revitalize the local and regional economies by restoring historic buildings, renovating streetscapes, or providing transportation museums and visitors centers. Application Deadline: Rolling.

U.S. DOT Federal Transit Administration

Federal Transportation on Indian Reservations – Federally-recognized tribes may apply for a competitive grant from the Section 5311 Tribal Transit Program. Funds are to be used for planning, capital and operating assistance for rural public transit services, and support for rural intercity bus service. The Department has a FTA Region 10 Tribal Transit Planning grant for \$250,000 (Grant AK-18-X040).

U.S. Dept of Transportation, Maritime Administration

On Oct. 9, 2008, DOT published an interim final rule on what is now known as *America's Marine Highway Program*, establishing a framework for federal support for the use of waterways as an extension of the surface transportation system in an effort to mitigate landside congestion.²⁸ The proposed rule has four primary components, addressing:

- Designated Marine Highway Corridors targeted for development of multi-jurisdictional coalitions focused on public and private efforts and investment;
- Naming of specific projects, to be directly supported by DOT, that provide greatest public benefits related to congestion relief, improved air quality, reduced energy consumption and other factors;
- Identification by MARAD, in partnership with public and private entities, of potential incentives and solutions to impediments to encourage use of the Marine Highway and incorporate it into state, multi-state and regional transportation planning;
- Conducting of research by DOT, in conjunction with EPA, to examine environmental and transportation benefits, technology, vessel design and solutions to impediments.

Small Shipyard Grants is an assistance program for small shipyards. Under this program, there is \$98,000,000 available plus \$17,150,000 from the 2009 Omnibus Appropriations Act. Grant funds are to be used for capital improvements, and related infrastructure improvements at qualified shipyards that will be effective in fostering efficiency, competitive operations, and quality ship construction, repair, and reconfiguration. Grant funds may also be used for maritime training programs to foster technical skills and operational productivity in communities whose

²⁸ Federal Register / Vol. 73, No. 197 / Thursday, October 9, 2008 / Rules and Regulations

economies are related to or dependent upon the maritime industry. Only shipyards can apply. The application period for 2009 Small Shipyard grants has closed

The Denali Commission

Introduced by Congress in 1998, the Denali Commission is an independent federal agency designed to provide critical utilities, infrastructure, and economic support throughout Alaska. Their program areas are community planning, conference sponsorships, economic development, energy, government coordination, health facilities, solid waste, teacher housing, training, and transportation.

Its Transportation Program began in 2005 as part of the Safe, Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Although the focus of the program is rural roads and waterfront development, it also looks at ways to connect rural communities to one another and the state highway system, and to enhance rural economic development. The waterfront development program addresses port, harbor and other waterfront needs for rural communities. The emerging focus areas are improvements to regional ports, and construction of barge landings and docking facilities. The Program has partnerships with FHWA, Western Federal Lands Highway Division, ADOTPF and the Corps of Engineers. Communities must provide their community plan with funding requests.

U.S. Dept. of Commerce, Economic Development Administration (EDA)

FY 2009 National Technical Assistance, Training, Research and Evaluation Program – Availability of funds under section 207 of the Public Works and Economic Development Act of 1965 (42 U.S.C. § 3147), as amended. EDA provides Partnership Planning grants to over 370 EDDs. These grants enable EDDs to manage and coordinate the development and implementation of CEDS to address the unique needs of their respective regions. The Central Council assists Southeast Conference with this.

FY 2009 Economic Development Assistance Programs – Availability of Funds under the Public Works and Economic Development Act of 1965, as amended, and the Trade Act of 1974, as amended. CCTHITA Business and Economic Development receives this funding.

Solicitation for Applications for EDA's American Recovery Program pursuant to the American Recovery and Reinvestment Act of 2009, P.L. 111-5, 123 Stat. 115 (2009). The purpose is to promote comprehensive, entrepreneurial and innovation-based economic development efforts to enhance the competitiveness of regions, resulting in increased private investment and higher-skill, higher-wage jobs in regions that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring. Applications are accepted on a continuing basis and processed as received. Tribes are eligible to apply.

U.S. Environmental Protection Agency

EPA leads the nation's environmental science, research, education and assessment efforts. The mission of the Environmental Protection Agency is to protect human health and the environment.

Since 1970, EPA has been working for a cleaner, healthier environment for the American people. EPA produces a Funding Opportunity catalog, which lists EPA grants. We have excerpted those that are transportation related.

National Clean Diesel Funding Assistance Program funds projects that reduce diesel emissions through a variety of diesel emission reduction strategies. Eligible projects must include one or more of the following diesel emissions reduction solutions: verified emission control technologies including retrofit devices, cleaner fuels, and engine upgrades, idle reduction technologies; certified engine repowers; and/or certified vehicle or equipment replacement. Eligible vehicles, engines and equipment may include but are not limited to: buses; medium-duty or heavy-duty trucks; marine engines; locomotives; and non-road engines or vehicles used in: i) construction; ii) handling or cargo (including at a port or airport); iii) agriculture; iv) mining; or v) energy production. The award floor and ceiling and number of awards will vary by applicant type or region. The closing date was December 8, 2009.

C. State Funding and Resource Opportunities

As there is no single website source for funding announcements on the state side, all agency sites were searched. We examined state grants, capital improvement projects and procurements.

Alaska Department of Transportation and Public Facilities

Alaska Community Transit Program:

- *Planning Grants* - Three awards were made in the 2010 Grant Cycle Planning.
- *Start-Up and Mobility Management Conditional* – Only those agencies with an existing Public Transit – Human Services Coordination Plan are eligible to apply. The Award Announcement will be posted on November 6, 2009.
- *SFY2010 Section 5311 Rural Public Transit* - The Funding Announcement for 2010 has been made. *Requests for Applications* for these grants come out in the early spring. The Request for Applications for 49 USC 5311 Formula Grants is a separate application. The others are combined into the Human Services Transportation Competitive Grants application process. Eligible recipients include a State or Indian tribe that receives an FTA grant directly from the Federal Government.
- *Public Transportation Formula Grants 49 USC 5311 Non-Urban Formula Grants*- Non-Urbanized Formula Program grants provide transit capital, operating assistance, and program administration through the States, to non-urbanized areas (less than 50,000 in population) for public transportation. State agencies, local public bodies and agencies thereof, private-nonprofit and private for-profit (inter-city only) organizations and operators of public transportation services are eligible to apply.

The Scenic Byways Program allows communities to promote tourism and economic development by obtaining official state and/or national recognition for roads that possess outstanding scenic, recreational, historic, cultural, natural, and/or archaeological qualities. Projects are then developed to enhance, interpret, and promote these qualities. The grant program provides resources for byway communities to create a unique travel experience and enhance local quality of life through efforts to protect, interpret, and promote the intrinsic qualities of designated

byways. Projects funded through this program reflect the decisions and priorities of local byway communities and organizations.

Commercial Passenger Tax Account and Regional Cruise Ship Impact Fund

It appears that the revenues generated by these two taxes are to be accessed by submitting capital budget requests directly to the Alaska Legislature.

Alaska Department of Commerce, Community and Economic Development Alaska Division of Community and Regional Affairs

Community Services Block Grants: As authorized by federal Public Law 97-35, the U.S. Department of Health and Human Services (HHS) has designated 950 Community Action Agencies - all of who may then receive federal funding that passes through their appropriate state agency. Within Alaska, HHS has designated only one CAA - Rural Alaska Community Action Program. The Tribe's Business and Economic Development Department receives CSBG funds.

Community Development Block Grants (CDBG): This program provides grants not to exceed \$200,000 to municipalities for planning activities, infrastructure projects, and economic development activities, which benefit low to moderate-income individuals. This program has been in existence since 1983. The federal Department of Housing and Urban Development (HUD) provides the funding.

Capital Matching Grants- FY 2004 funding for this program (\$15 million) was vetoed by the Governor on June 12, 2003.

Legislative Grants - These grants are awarded by the Legislature, with final approval by the Governor, and are delegated to a specific department for administration. Apply to your state senator and representative. *FY 2004 grants to named recipients were vetoed by the Governor on June 12, 2003.*

Alaska Division of Parks and Recreation

Recreational Trails and Grant Program is for development and maintenance of trails and facilities, acquisition of trail rights-of-way, and development of safety and environmental protection education programs. This matching grant program provides up to \$50,000 to successful applicants.

The Alaska Trails Initiative (ATI) grants are available on a competitive basis for development and reconstruction of trails and related facilities. Program funding has been made possible by Senator Steven's Omnibus Appropriation Act.

D. Private Funding and Resource Opportunities

National Research Council

The National Research Council (NRC) functions under the auspices of the National Academy of Sciences (NAS), the National Academy of Engineering (NAE), and the Institute of Medicine (IOM). The NAS, NAE, IOM, and NRC are part of a private, nonprofit institution that provides science, technology and health policy advice under a congressional charter signed by President Abraham Lincoln that was originally granted to the NAS in 1863. Under this charter, the NRC was established in 1916, the NAE in 1964, and the IOM in 1970. The four organizations are collectively referred to as the National Academies.

The mission of the NRC is to improve government decision making and public policy, increase public education and understanding, and promote the acquisition and dissemination of knowledge in matters involving science, engineering, technology, and health. The institution takes this charge seriously and works to inform policies and actions that have the power to improve the lives of people in the U.S. and around the world.

NRC/Transportation Research Board

The mission of the Transportation Research Board is to provide leadership in transportation innovation and progress through research and information exchange, conducted within a setting that is objective, interdisciplinary, and multimodal. TRB is one of six major divisions of the National Research Council. TRB's varied activities annually engage more than 7,000 engineers, scientists, and other transportation researchers and practitioners from the public and private sectors and academia, all of whom contribute their expertise in the public interest by participating on TRB committees, panels, and task forces. The program is supported by state transportation departments, federal agencies including the component administrations of the U.S. Department of Transportation, and other organizations and individuals interested in the development of transportation.

Marine Board

The Marine Board of the NRC Transportation Research Board on April 1, 1999. The Marine Board was previously part of the NRC's Commission on Engineering and Technical Systems (CETS). The affiliation with TRB enables the Marine Board to expand existing activities and develop new activities that encourage discussion and examination of maritime transportation, marine research, policy issues, and technology developments in a broader context. As part of TRB, the Marine Board both enhances and is supported by TRB's standing committees, particularly those involved with ports and channels, inland water transport, planning, and the environment. The Marine Board coordinates and works closely with other NRC boards in areas of mutual interest.

Formed in 1965, the Marine Board is an internationally recognized source of expertise on maritime transportation and marine engineering and technology. In response to requests from sponsoring agencies or on its own initiative, the Marine Board serves the national interest by

providing evaluations and advice concerning the ability of the nation's marine and maritime industries to operate safely and efficiently and in an environmentally responsible manner. The Marine Board identifies research needs and provides a forum for exchange of information relating to new technologies, laws and regulations, economics, the environment, and other issues affecting the marine transportation system, port operations, coastal engineering, and marine governance.

XI. MAINTAINING THE TRIBAL PLAN

A. The Tribal Marine Transportation Plan

1. Monitoring of the Plan

The tribal *Roads & Transportation Department* will hold quarterly staff meetings where it will receive and review status reports on plan implementation. To supplement that information, the Department will conduct an annual community survey to solicit input on projects in process. It will report on progress to tribal management, partners and participating communities. There will be two meeting a year with partners and participating communities to discuss projects.

2. Annual Review of the Plan

The *Tribal Marine Transportation Plan* will be reviewed on an annual basis to determine what level of update is necessary. The *Marine Transportation Oversight Committee* will be involved in this annual review.

The policy level questions to be answered during that review are:

- Has plan implementation operated to meet the service needs of the communities?
- Is the plan consistent with the tribal mission and current direction?
- Does the plan comply with the tribal policies? Has it necessitated any tribal policy changes?
- Does the plan have sufficient detail to provide guidance to operations?
- Is it flexible and high level enough that you do not have to amend it every time a procedure changes?
- Will the plan cause any tribal shortfall?

The department level questions to be answered during the annual review follow. Where appropriate, the partner(s) will participate in the review with tribal management.

- Have governmental IRR, BIA, FHWA, FTA and any other relevant requirements been met?
- Does the plan enable good tribal operations and business practices?
- Have safety requirements been met?
- Does the plan require any tribal budget modifications?
- Does the plan include adequate provisions for pre/during/post project management communication procedures?
- Does CCTHITA need to establish separate personnel procedures for marine transportation operations?
- Are CCTHITA financial systems adequate to support operations?
- Does the plan encourage staff training and education?
- When necessary, has collaboration occurred with other tribal departments? with agencies?

Participating communities will be invited to participate in the annual review. They will answer the following questions and given the opportunity to make suggestions.

- Does the plan meet the environmental impact objectives of the communities?
- Does the plan address the community transportation and infrastructure needs?
- Does the plan address a cooperative public process?

3. Update of the Plan

When significant changes/amendments are necessary, the plan will be updated and presented to the Executive Committee and General Assembly for approval. The General Assembly may assign subsequent minor updates to the Executive Committee to expedite the process.

B. The Marine Transportation Project List

While the *Marine Transportation Project List* is a part of the *Tribal Marine Transportation Plan*, it is a fluid document that will go through adjustment over the course of the year as projects are entered on the list and go through the planning, design and construction phases. Consequently, the Executive Committee does not need to be involved in updating and approving the list. The responsibility for this is delegated to the *Marine Transportation Oversight Committee*.

XII. APPENDICES

- A. CCTHITA Authorizing Resolution by Tribal Council
- B. Southeast Community Participation – Sign-In Sheets
- C. Tribal Certification of Public Posting of Plan
- D. CCTHITA Resolution Opposing ADOTPF Fund Diversion
- E. ANB/ANS Grand Camp Resolution Opposing ADOTPF Fund Diversion
- F. Southeast Conference Resolution Supporting Supplemental Contract Service
- G. Tribal Priority Marine Transportation Project List - Project Assessment Criteria
- H. A Guide to Federal-Aid Programs and Projects
- I. Federal Legislation, Regulation and Guidance Documents List – Tribal
- J. President Obama Memo to Executive Heads – November 5, 2009
- K. Executive Order 13175 of November 6, 2000 (President Clinton)
- L. DOT Federal-Aid Active Programs and Projects