

**Alaska Marine Highway System Vessel Overhaul, Annual
Certification and Shoreside Facilities Rehabilitation**

FY2017 Request: \$12,000,000
Reference No: 30624

AP/AL: Appropriation

Project Type: Renewal and Replacement

Category: Transportation

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Mike Vigue

Estimated Project Dates: 07/01/2016 - 06/30/2021

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Brief Summary and Statement of Need:

The Alaska Marine Highway System (AMHS) requires annual maintenance and overhaul on vessels and at terminals, particularly components or systems whose failures impact service in the short term. Annual overhaul of vessels is necessary to pass United States Coast Guard (USCG) inspections and obtain a Certificate of Inspection (COI) necessary to operate in revenue service.

Funding:	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Total
1004 Gen Fund	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$72,000,000
Total:	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$72,000,000

☐ State Match Required ☒ One-Time Project ☐ Phased - new ☐ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Sec25(d) Ch38 SLA2015 P39 L25 SB26 \$10,000,000
Sec1 Ch18 SLA2014 P63 L23 SB119 \$12,000,000
Sec1 Ch16 SLA2013 P79 L4 SB18 \$10,000,000
Sec1 Ch17 SLA2012 P136 L16 SB160 \$10,000,000
Sec7 Ch17 SLA2012 P167 L26 SB160 \$5,455,000
Sec1 Ch5 SLA2011 P99 L21 SB46 \$8,000,000
Sec1 Ch43 SLA2010 P3 L19 SB230 \$4,000,000
Sec7 Ch43 SLA2010 P35 L27 SB230 \$8,000,000
Sec10 Ch15 SLA2009 P59 L3 SB75 \$6,000,000
Sec1 Ch15 SLA2009 P21 L17 SB75 \$702,100
Sec13 Ch29 SLA2008 P158 L17 SB221 \$9,900,000
Sec20 Ch30 SLA2007 P151 L3 SB53 \$13,444,500
Sec1 Ch30 SLA2007 P78 L14 SB53 \$1,944,000

Project Description/Justification:

This project is for numerous recurring maintenance tasks and improvements to the vessels. The majority of the funds being requested are spent in Alaskan shipyards and with Alaskan suppliers and vendors.

Overhaul work consists of inspection, repair, and maintenance that cannot be performed while the vessels are operating. An overhaul period of approximately six weeks is set aside every year during which each ship is in dry-dock and the scheduled work is accomplished. This work is performed in Alaskan shipyards unless it is combined with a Federal Highway Administration project competitively awarded to an out-of-state shipyard. In performing overhaul work, the Alaska Marine Highway System must meet the inspection requirements and standards of safety and seaworthiness of two entities, the Classification Societies (American Bureau of Shipping (ABS) for steel hulled vessels, and Det Norske Veritas (DNV) for the aluminum hulled fast vehicle ferries) and the United States Coast Guard (USCG). None of this work is discretionary. At the end of the overhaul period, the vessel must pass a demanding USCG inspection to obtain a Certificate of Inspection (COI). This certificate is mandatory to operate for the next year.

In addition to the work required by ABS, DNV, and the USCG, work is done which is recommended by equipment manufacturers and AMHS port engineers determine to be sound equipment maintenance practices. For example, painting the hull is not required, and vessels could sail with badly deteriorated paint. However, paint protects the hull from deterioration. In the long term, the value of asset protection greatly outweighs the cost of the painting.

Overhaul work is costly. Putting a vessel into dry-dock can cost over \$20,000 base cost plus \$1,000 for each day it remains in dry-dock. Dismantling a main propulsion engine solely to permit ABS inspections requires the work of several skilled engineers for several weeks. These are costs incurred simply to enable inspections to be made and routine maintenance to be done.

In FY2017 AMHS expects to accomplish a number of needed upgrades and equipment purchases including several major propulsion engine overhauls as well as auxiliary engine overhauls. A continuing source of increased costs is maintenance of new installed systems and equipment (primarily safety related) required to be added to the vessels by the International Maritime Organization's Safety of Life at Sea (SOLAS) regulations and similar U.S. Code of Federal Regulations Subchapter "W" provisions. While federal funds provide the systems and equipment, state CIP funds must be used to maintain them once installed. Perhaps the greatest cause of increased overhaul costs is the simplest: as vessels age, the amount and cost of required maintenance increases.

AMHS operates steel and aluminum vessels in a hostile, corrosive salt-water environment and must protect these expensive ships or suffer rapid deterioration of major structural components and equipment resulting in expensive replacement costs. Ignoring these maintenance and repair requirements will result in failure to maintain ABS or DNV classification and failure to pass USCG COI examinations. Taking vessels out of classification will result in higher annual insurance rates. Without a USCG COI, AMHS cannot sail the vessels and accomplish the mission of providing safe, reliable public transportation. In the past AMHS has often established an inventory of major main engine components that are economical to rebuild. These were used as ready spares to keep our vessels in service when a casualty occurred. More recently this practice has ceased due to a lack of funds.

This funding may also be used for terminal maintenance and repairs or equipment and component replacement and rehabilitation projects as available due to favorable bids or parts pricing.

