



# Alaska Department of Transportation & Public Facilities

## Senate and House Transportation Committees AMHS Tariff Study

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January 22, 2015



# AGENDA

- **Northern Economics' Tariff Recommendations**
- **Recommended Tariff Formulas**
- **DOT&PF/AMHS' Current Tariff Plan**





# NORTHERN ECONOMICS' TARIFF RECOMMENDATIONS

- Deal with tariff inequities by first looking at tariffs that are over 25% above and below the average tariff per nautical mile for the route distance and region. Freeze tariffs that are more than 25 percent above the average tariff per nautical mile.
- Adopt a formulaic approach to setting tariffs.
- Adopt a two-tiered tariff structure to accommodate summer and winter demands. Seasonal adjustment should be 0-30 percent for passengers and 30-40 percent for vehicles. If seasonal adjustments are not appropriate on certain routes some tariffs could remain constant.



# **NORTHERN ECONOMICS' TARIFF RECOMMENDATIONS (Continued)**

- Set a target farebox recovery rate between 39-65 percent.
- Differentiate between commercial and passenger vehicle tariffs. Commercial tariffs should be 60-120 percent higher.
- Adopt a tariff premium for express and high demand routes starting with a 10 percent premium for express, dedicated and highly utilized routes.
- Tariff adjustments should be implemented gradually over time



# PASSENGER TARIFF FORMULA

Figure ES-5. Recommended Formula for Determining Passenger Tariffs



Source: Northern Economics, Inc., 2014



# VEHICLE TARIFF FORMULA

Figure ES-7. Recommended Formula for Determining Vehicle Tariffs



Source: Northern Economics, Inc., 2014



# CABIN TARIFF FORMULA

Figure ES-6. Recommended Formula for Determining Cabin Tariffs



Source: Northern Economics, Inc., 2014



# DOT&PF/AMHS' CURRENT TARIFF PLAN

- Tariffs on routes that were greater than 25 percent above the average tariff have been frozen (See sample below)

Table ES-3. 2014 Routes above Average Range (% difference)

Area	Route	Passenger	19ft Vehicle	Outside Berth	Inside Berth
Southeast Inside Passage	ANB to KTN	98.19	57.33	—	—
Southeast Inside Passage	HNS to SGY	64.39	24.84	76.17	107.87
Southwest	ORI to OUZ	74.99	73.25	72.85	—
Southwest	KOD to OUZ	62.49	60.87	60.50	—
Southcentral	HOM to SDV	33.82	—	32.18	—
Southcentral	TAT to VDZ	56.68	65.61	—	—
Southeast Inside Passage	JNU to GUS	—	—	35.22	28.40
Southcentral	TAT to WTR	95.99	32.55	—	—
Southcentral	CHB to WTR	90.14	98.84	—	—
Southcentral	VDZ to WTR	63.33	—	—	—
Southcentral	CHB to VDZ	46.43	52.97	—	—
Southcentral	CDV to CHB	31.33	37.02	—	—
Southcentral	CDV to WTR	31.33	—	—	—
Southwest	FPS to UNA	48.78	46.06	53.42	—
Southeast Inside Passage	KTN to PSG	—	—	—	31.63
Southeast Inside Passage	JNU to KAE	—	26.66	—	25.34
Southwest	KOD to SDV	40.72	39.34	50.81	—
Southwest	ORI to SDV	39.56	38.20	49.58	—
Southeast Inside Passage	JNU to PSG	—	—	—	24.23
Southwest	HOM to ORI	—	—	26.35	—
Southwest	HOM to OUZ	—	—	26.35	—
Southwest	OLD to SDP	48.98	51.99	58.42	—
Southcentral	WTR to YAK	28.52	35.13	40.98	—

Note: dashes indicate that the specific service is not offered on that route

Source: Developed by Northern Economics, Inc. based on data from AMHS





# DOT&PF/AMHS' CURRENT TARIFF PLAN

- High tariffs will remain frozen until they are fair and equitable with the rest of the System
- A 4.5 percent across the board tariff increase has been implemented on all other routes which has brought the high tariffs closer in line with the average
- All routes will be analyzed to determine the feasibility of seasonal adjustments
- A premium tariff will be implemented on express, dedicated, and highly utilized routes
- Tariff formulas will be implemented
- All tariff changes will implemented gradually

# Questions?



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