FVF & Maritime Unions – Current Situation

The purpose of this fact sheet is to explain the state's position relative to crewing of the Alaska Marine Highway System's fast vehicle ferry *Fairweather*.

The fast vehicle ferry (FVF) continues to operate without a formal contract between the state and the three maritime unions representing the employees. The *Fairweather* is currently operating under the residual terms of a letter of agreement that was designed to provide for an intense schedule of training and temporarily providing service while the contracts were being negotiated. That temporary letter of agreement expired in June.

From the outset, the state preferred to negotiate a contract with the unions that would be separate and completely unrelated to the master agreement that covers the other vessels in the fleet, but it has assented to union demand to treat the FVF contracts as subcontracts of the master agreement.

Current crew requirements under the Coast Guard's High Speed Craft Code and operating 7 days per week are for two 10-person crews (A and B), with 14 relief and maintenance personnel.

The state's objective in negotiating with the maritime unions was to obtain a recognition that the operation of the FVF is fundamentally different from the operation of mainline ferries, which are in service 24 hours a day, seven days a week. The FVF normally operates about 12 hours per day, with crews going home at the end of the day. There are no crew sleeping quarters designed or built into the vessel. The substantial employee costs built into agreements covering a 24/7 operation should not be applicable to what is essentially a day boat operation.

However, employee union representatives approached the bargaining table with a substantially different idea than the state. The state offered a pay plan that incorporated the vacation, holiday, and sick leave benefits enjoyed by all AMHS employees under the master agreement. The union representatives countered with an offer that retained those amounts in the pay scale, plus asked for them again in the form of leave benefits, and demanded the 7, 6 and 6 percent pay increases contained in the most recently negotiated draft contracts of the master agreement. In their most recent offer, union negotiators are demanding additional pay for *Fairweather* service, plus a $100 per day benefit because the state did not construct any crew quarters on board the vessel. The unions have asserted that the use of the vessel, with no crew quarters, is in violation of the master agreement.

The state and the unions' representatives met with a federal mediator on these issues on September 30 and October 1, without results. State negotiators have met with the three unions 17 times since the voluntary mediation failed. We are clearly at an impasse, and the state seeks mandatory mediation.

Continued operation of the FVF under the residual terms of the letter of agreement requiring two crews and 7-12s operation is not economically feasible during the winter months. In the event the state is unable to obtain a new agreement that allows operation to be reduced to 4-12s, it will be forced to lay-up the FVF until a contract can be reached.

The operating budget plan under which the FVF was to run during FY2005 projected summer operation of 7-12s at $90,619 per week, and winter operation of 4-12s at $52,873 per week. Weekly operating cost, averaged over the year, was projected at $67,284. This was the schedule on which the FY2005 operating budget was adopted by the Legislature.

The actual cost of operations for the FVF has been substantially higher than forecast, coming in at just under $135,000 per week. This additional cost is due primarily to higher costs for the crew, for consumable commodities, and for fuel and lubricants. The cost of fuel is nearly double what was projected at the time the FY2005 budget was written last spring. The FVF runs on diesel fuel, which was projected to cost an average of $.83 per gallon on contract for the fiscal year. Due to the recent run-up in the price of crude oil, the most recent average price of diesel has been more than $1.40, meaning that the 40,000 gallons of fuel the FVF uses in its 7-day schedule costs at least $25,000 more than anticipated.

Revenue from the FVF is considerably less during the off-season than it was during the summer. For June, July, and August the FVF generated about as much in revenue as it cost to operate, or about $135,000. Passenger traffic and car deck usage tracked just above or just below the amount necessary to break even. However, during the winter months, traffic is projected to be about one-third to one-half of break-even. Weekly revenues are expected to average $48,000.

Possible consequences of reducing the crew or laying up the vessel:

We anticipate that some members of the current FVF crew will return to regular service within the fleet. It is understandable that ramping up for the summer and then back down for the winter is a less desirable prospect for many ferry workers. Retraining new crews for the summer becomes an expensive cost of operations. The state would prefer to avoid this outcome, if at all possible.

Service to upper Lynn Canal and Sitka will be impacted.

For those areas, the FVF is a highly desirable travel option. For example, compare its travel time and costs with the mainline ferries and airlines that serve those areas:

	Mainline Ferry	FVF	Airline
JNU-HNS	$27 -- 4.5 hrs	$36 -- 2 hrs	$90 -- ½ hr
JNU-SKG	$41 -- 7 hrs	$46 -- 4-3/4 hrs	$100 -- ½ hr
JNU-SIT	$36 -- 8 hrs	$41 -- 4-1/2 hrs	$117 -- ½ hr