

THE INTER-ISLAND FERRY AUTHORITY

The Inter-island Ferry Authority is a public ferry system providing daily, year-round passenger & vehicle transportation between Ketchikan & Prince of Wales Island since 2002.



BY THE NUMBERS

People	Average Annual Ketchikan-Hollis IFA Ridership (2002-2013)	52,000
	Percentage of Riders 65+ or under 12	20%
	Southeast school students traveling IFA for school activities annually	3,700
	Cumulative 12 year savings (over airfare) for kids and senior citizens on the IFA	\$14.6 million
	Trips for medical purposes on the IFA in 2013	3,000 to 4,500
POW Economy	Prince of Wales jobs dependent on the IFA 2012	300+
	IFA direct, indirect and induced annual average employment	48 jobs
	Average Prince of Wales-Hyder Census Area unemployment 2012	14.1%
	Estimated annual spending in Prince of Wales by visitors arriving on IFA	\$5.8 million
Revenue & Costs	Total IFA budget Fiscal Year 2013	\$3.6 m
	Amount of additional revenue generated by IFA for every \$1 of State investment FY13	\$16
	% of IFA operating costs covered by farebox (average rate for past 6 years)	77%
	% increase in cost of fuel from original plan	398%
Freight	Pounds of seafood transported from Prince of Wales Island on the IFA in 2013	3 million
	Ex-vessel value of seafood shipped on IFA in 2013	\$15 million
	Average annual number of Ketchikan-Hollis IFA vehicles transported (2002-2013)	12,335
KTN	Estimated annual spending in Ketchikan by IFA riders and IFA	\$11 million

A Ferry System Providing a High Return on Investment in Southern Southeast Alaska

Since service began in 2002, the Inter-Island Ferry Authority (IFA) has transported 625,000 passengers and nearly 150,000 vehicles between Ketchikan and Hollis, providing many significant financial and social benefits to Ketchikan and the Prince of Wales Island (POW) residents.

Children and elders especially benefit from the IFA. One-fifth of IFA's customers are over 65 or under 12, and school children over 12 make 3,700 trips on the ferry annually. Since 2002, the IFA has saved these groups \$14.6 million over the price of plane tickets. One of the key social services the IFA provides is allowing POW residents affordable access to medical care. Between 3,000 and 4,500 trips were made on the IFA last year by POW residents with medical appointments.

Hundreds of jobs on Prince of Wales are dependent on ferry service operations—primarily in the seafood industry, but also in the tourism and transportation sectors. One of the key ways in which the IFA generates economic activity is by moving fresh and live seafood to market. In a typical year, three million pounds of seafood is shipped on the IFA, with a harvest value of \$15 million, representing the efforts of 220 workers on Prince of Wales. Visitors made 5,740 trips on the IFA last year, spending an estimated \$5.8 million in the island economy, generating additional jobs.

Compared to other public ferry systems, the IFA operates very efficiently. Farebox revenue covers 77% of the ferry's operational costs. (The average rate for public passenger-vehicle ferries in North America is 49%). In FY2013 IFA leveraged state support to generate 16 additional dollars in revenue for every dollar of state funding invested. IFA's benefits extend to Ketchikan as well. IFA ferry riders and the Authority spent \$11 million in Ketchikan last year on purchasing goods, and millions more at Ketchikan hospitals.

The Importance of the Inter-Island Ferry Authority

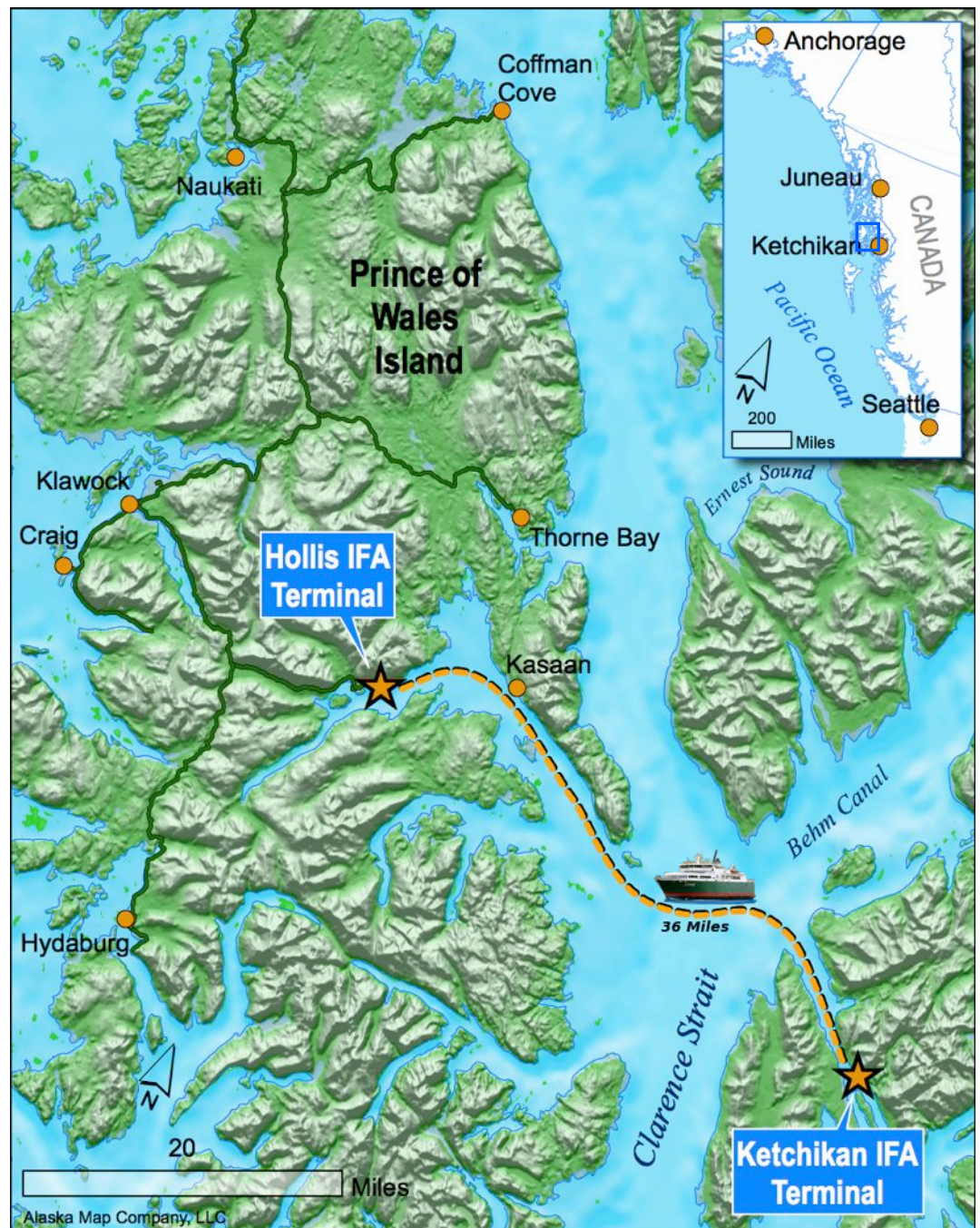
Marine transportation is vital to Southeast Alaska. This is especially true in southern Southeast. Prince of Wales Island is the fourth largest island in the US, and its communities are isolated.

The need to establish the Inter-Island Ferry Authority (IFA) became evident in 1993 when the State's ferry service to Prince of Wales declined to just one-and-a-half trips per week. The infrequent service, inconsistent scheduling, and frequent 2 AM departure times created economic challenges for island businesses and residents.

The IFA was developed as a community led effort, and continues to be run by a coalition of six municipalities. Craig, Klawock, Thorne Bay, Coffman Cove, Wrangell, and Hydaburg operate the IFA under Alaska's Municipal Port Authority Act (AS 29.35.600), meaning that the IFA is technically a subdivision of the State, and therefore eligible for State funding.

The IFA provides a critical link in the regional transportation structure, serving more than 18,000 residents in the Prince of Wales and Ketchikan area. The Inter-Island Ferry Authority system significantly improves the overall cost of living on Prince of Wales. It allows for increased tourism, affordable access to medical care, competition and camaraderie between regional high schools, and the ability to move fresh and live seafood product to market.

Loggers, divers, seafood processors, and even AMHS workers use it to commute to work. The IFA brings the parcel post mail in time for Christmas. For those who cannot always afford to fly, it offers them the ability to travel to friends or family, to shop, to hunt, or to get on or off the island for a variety of other personal reasons. The most frequent word businesses and residents use to describe the ferry service is "invaluable."



Prince of Wales Island, the fourth largest island in the US, has more miles of road than all other Southeast Alaska communities combined. The IFA makes the 36 mile each-way journey between Hollis and Ketchikan daily.

"The ferry is so important for businesses, for schools, for personal travel. We would be sunk without it." Jon Bolling, Craig City Administrator & Chair of the Prince of Wales Community Advisory Council.

The ferry is depended upon for its reliable, daily service. It departs each morning from Ketchikan at 8:00 and returns from Ketchikan at 6:30 each evening. The three-hour 36-mile voyage has beautiful scenery, and runs in all but the worst weather. The IFA operates two 198-foot, 95-gross-ton vessels—the MV Prince of Wales and the MV Stikine. They each

carry nearly 200 passengers and 30 vehicles, and are operated by a five member crew (seven including the galley). "The ferry is so important for businesses, for schools, for personal travel. We would be sunk without it," explains Jon Bolling, Craig City Administrator & Chair of the Prince of Wales Community Advisory Council.



THE PEOPLE IFA SERVES

The IFA Saved Children & Senior Citizens \$14.6 Million over 12 years

The greatest social benefit of the IFA is providing increased access to travel for those groups least able to afford it. These groups include seniors, small children, tribal members, those seeking medical care, and middle and high school students traveling to compete in their area of interest. While it is impossible to calculate the exact social benefits of this increased travel or to determine how many trips may not have occurred over the past 12 years, it is a relatively simple exercise to calculate the dollar value that some of these groups saved when they traveled by ferry instead of by plane. This is done by taking the difference between the average price per category of travel by the airlines that serve the island and IFA's rates, then applying it to the number of travelers in each category.

On average, the IFA saves its users \$4.6 million annually over the cost of air travel. Over the 12-year life of the IFA, this translates to a total savings of \$55 million dollars, including \$6.1 million in savings for seniors, \$4.8 million for children under 12, and \$3.7 million for students traveling for activities. This \$55 million represents both savings to these user groups as well as an opportunity to spend that money elsewhere in the local economy.

School Sports and Activities— Rural Alaska schools have come up with a mechanism to reduce the effect of isolation on their students in the form of student travel. In 2013, 3,700 students from 13 different school districts across Southeast Alaska traveled on the IFA for school activities. The savings to schools by using the ferry over flying is in excess of \$300,000 per year. Kids travel to or from Prince of Wales to compete against other schools in a vast array of activities—from basketball to academic decathlon to honors band—or to participate in activities like college fairs or peer mediation training. According to Craig High School Principal Josh Andrews—where 87% of the students participate in an activity involving travel—to be on these travel teams students must prove themselves, have passing grades, and demonstrate respectable behavior. For

A 70-year old IFA passenger takes in the view, while students enjoy some computer time.

many kids, these travel teams provide an incentive to do well in school and maintain a course to graduation. Sports especially provide youth an opportunity to meet kids from neighboring schools, as well as bring the community together. "The IFA is crucial for our schools, because we would not be able to afford the same level of activity and sports travel. We would still have a music program, for example, but it would be very different for the kids if they were not able to compete and perform," Mr. Andrews explained.

Alaska Native Tribes

— Members of the four Prince of Wales Tribes also rely on the



Diners in the IFA restaurant.

ferry system for more affordable work and cultural travel. Richard Peterson, Tribal President and Economic Development Director for the Organized Village of Kasaan explains it this way, "We live in a rural remote place. The IFA is priceless, and is a huge benefit to the tribes. We all travel to conferences and meetings using the ferry. Being able to improve ourselves through trainings so that we can bring value back to our communities is critical."

Elders and Coordinated Transportation— The IFA is a important part of the coordinated transportation network on the island for seniors and those with disabilities. Each year 5,400 seniors ride the IFA, resulting in an annual savings of a more than a half million dollars over the cost of flying. Many island elders, or those with disabilities, say they are more comfortable on the ferry than they are traveling by plane. The IFA is able to bring passengers on and off the ferries using wheelchair accessible vans. IFA's service is the conduit that allows these passengers to connect with Ketchikan public transit providers, including the bus system and Southeast Senior Services. Like the IFA, these operators are under the Federal Transit Administration's public transportation providers umbrella.



	Kids 0-11	Students	Adults	Seniors 65+	All Passengers
Average Annual Riders (2002-2013)	5,000	3,700	38,000	5,400	52,000
Average Annual Savings Over Flying	\$400K	\$307K	\$3.3 million	\$508K	\$4.6 million
12 Year (Life of IFA) Savings	\$4.8 million	\$3.7 million	\$40 million	\$6.1 million	\$55 million

ISLAND JOBS & WAGES DEPENDENT ON THE IFA



Captain Scott Crayne writes in a log book, while First Mate Curtis Brown operates the MV Stikine.

Hundreds of Prince of Wales jobs are dependent on the ferry system

The Inter-Island Ferry Authority creates jobs in several ways. First there are the jobs directly and indirectly related to IFA employment. Secondly, the ferry system has created opportunities to build and expand Prince of Wales business operations by taking advantage of reliable, daily passenger and freight services. These businesses include transportation logistics, seafood operations, the visitor industry, and medical service providers.

Jobs created by IFA and its operations have a magnified value in the Prince of Wales economy. The plan for the ferry system was devised when the Prince of Wales economy was still at its peak. However, after the decline in the timber industry, the annual unemployment rate for the Prince of Wales-Hyder Census Area rose from 9.7% to 15.2% percent, while the region's population dropped by 22 percent (between 1998 and 2008). The ferry system brought with it economic stability along with the ability to grow the visitor and seafood sectors, and in many ways the system acted as a ballast to the island economy during this period. In 2012 (including resident fishermen) there were 1,520 island jobs with an associated payroll of \$60 million.

Jobs Related to IFA Employment— In 2012 there were 37 jobs and \$1.3 million in wages directly created by the IFA and the ferry galley on Prince of Wales Island. There are many jobs related to the IFA in Ketchikan as well, but for the purposes of this analysis, only Prince of Wales employment has been analyzed. These jobs also create “indirect” and “induced” employment. Indirect effects are jobs and income created as a result of the ferry system purchasing goods and services on Prince of Wales, while induced effects are jobs and income created as a result of 37 IFA employees spending their payrolls locally. According to IMPLAN economic modeling, indirect and induced employment create 11 jobs with associated wages of \$292,000 on POW in 2012.

Jobs Related to Seafood— Sheinberg Associates interviewed each seafood company that ships product on the IFA to understand the size of the seafood workforce dependent on the

IFA. According to company managers, 220 workers harvest and transport the seafood that is ultimately shipped on the IFA—including 60 Prince of Wales residents. These seafood companies each said that it would be impossible to use the same business model without the IFA, and these jobs would not exist in their current form without the ferry system. It should be noted that these jobs are not necessarily year-round jobs, and therefore cannot be easily added to the other job tallies, which measure annual average (12-month) employment.

Jobs Related to Tourism— 2,870 tourists and hunters come to Prince of Wales Island in a typical year (making 5,740 IFA trips) creating opportunities on the island to develop businesses to accommodate these visitors and their needs. Businesses supporting these visitors include car rental businesses, RV parks, overnight accommodations, guided fishing trips, restaurants, etc.

IFA operations began in 2002. Between 2001 and 2004, 63 new tourism related jobs on Prince of Wales were created according to Alaska Department of Labor data; including 19 jobs in retail (mostly in the food and beverage sector), 26 jobs in accommodations, and 18 jobs in transportation. Researchers found no mechanism to directly attribute these jobs in the Prince of Wales visitor industry to the creation of the ferry system, but there is a correlation. The 2012 wages in dollars for those 63 jobs were \$2.6 million.

Mining— Looking forward, there have been early discussions regarding use of the IFA to support mineral development for the Niblack and Bokan mining projects. The IFA is being seen by these mines as a potential resource to connect the Prince of Wales workforce to the mines (possibly via Ketchikan). Neither mine is on the POW road system.

	Jobs	Annual Wages 2012
Direct Employment & Wages (IFA and Galley)	37	\$1.3 million
Indirect & Induced Effects of IFA Employment	11	\$292,000
Seafood jobs dependent on IFA (not necessarily year-round)	220	Not Determined
Visitor industry jobs on POW developed in the first few years of IFA service	63	\$2.6 million

SEAFOOD, FREIGHT & LIVE GEODUCK



Geoduck

Three million pounds of fresh or live seafood is shipped on the IFA each year, with a harvest value of \$15 million

The IFA ferries freight as well as people. Because of the ferry's daily schedule, businesses are able to use the Inter-Island Ferry Authority to ship freight between Ketchikan and Prince of Wales Island. The ships carry concrete, groceries, soda, and cleaning supplies. The region's barge lines also use the ferry to augment their services. For example, Alaska Marine Lines ships more than 100,000 pounds of parcel mail on the IFA each year. But the IFA's most precious cargo is seafood. In a typical year three million pounds of fresh or live seafood is shipped on the IFA. In 2013 that cargo had a harvest value of \$15 million.

No one is more dependent on IFA's daily timetable than those trying to get fresh or live seafood to market. Frozen salmon can go by barge. Live geoduck headed to the airport on its way to China does not have the luxury of time. Seafood shipped on the IFA is the highest value of all Southeast Alaska fisheries. It includes halibut, winter kings, sea cucumbers, geoduck, roe-on-kelp, black cod, along with shrimp and other species of salmon. These products fuel the Prince of Wales economy. It takes 220 fishermen, divers, and logistics personnel to bring the three million pounds of seafood from the ocean to the ferry. Many seafood sector island jobs and earnings would be in jeopardy without the IFA.

The Prince of Wales economy is a seafood economy. Analysis based on Alaska Department of Labor, US Census Nonemployer data, and the Commercial Fisheries Entry Commission show that nearly a fifth (18%) of all Prince of Wales workforce earnings are from resident commercial fishermen and divers.

The ferry system has established a symbiotic relationship with the local seafood industry. It is the earnings from seafood freight that pays a key portion of IFA operations, and in turn the IFA offers local seafood operations the most reliable

"It's essential that we have that ferry connection. The ferry is an integral part of the way we transport our fish. The way the schedule is set up is a vital component of our company's logistics." *Dylan Knutsen, Loki Fish Company*



E.C. Phillips worker

cost effective way to bring seafood harvest to market on a daily basis.

"Without the ferry system, we would have a tough time continuing our operations," explains E.C. Phillips president Larry Elliot. E.C. Phillips has plants in Craig and Ketchikan, and is the largest seafood shipper on the IFA. "We would not be able to have a facility in Craig. We would have to look at alternatives, and the alternatives would be a lot more expensive and a lot less convenient."

Jim Vaughn, a seafood broker for Golden House Seafoods explained it like this: "The ferry system is invaluable. If there was no boat to get off the island, I could get stuck with 15,000 pounds of live geoduck that no one would be able to buy. So if there was no ferry I wouldn't be buying geoduck."

The IFA is significantly cheaper than the airlines to transport seafood. While rates are based on many variables, seafood brokers agree that the fully loaded average rate per pound to ship seafood on the IFA is 50¢ cheaper per pound than shipping by plane.

"That 50¢ is my profit margin," explained Noyes Island Smokehouse owner Ken Quigley who also ships seafood on the IFA. "I couldn't run my business without it. You have to have daily ferry service for the island to survive."

Additionally, the seafood harvest the IFA carries is taxed by the State in the form of salmon enhancement and shared fisheries taxes, thereby contributing hundreds of thousands of dollars to local and State coffers. The ferry supports the Prince of Wales seafood sector in other ways as well. It brings many of the 250 processors to the Silver Bay Seafood plant in Craig each summer; Ketchikan Northern Sales uses the ferry to bring supplies to many of the island's sport fishing lodges; and divers from Ketchikan use the ferry to travel between Ketchikan and POW, as they prefer not to fly after diving.

Seafood Statistics	Value
Pounds of seafood typically shipped by IFA each year	3 million
2013 ex-vessel value of seafood shipped by IFA	\$15 million
Island seafood jobs dependent on this cargo	220
Jobs held by POW residents dependent on this cargo	60
Commercial fishing/diving as a % of all POW job earnings	18%

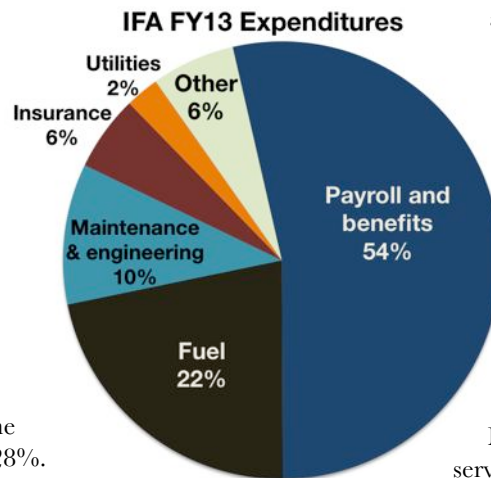


IFA's HIGH RETURN ON INVESTMENT

Sunset on the IFA

Compared to other public ferry systems, the IFA is run very cost effectively, with a Farebox Recovery Rate of 77%

Measured against comparable public ferry systems, the Inter-Island Ferry Authority is run very cost effectively. The best indicator to measure this is the “farebox recovery rate,” which is the percentage of ferry operating costs that are covered by revenue from ticket sales. The average farebox recovery rate for North American passenger and vehicle ferry systems is 49%. In FY10, the Alaska Marine Highway System farebox recovery rate was 28%. The Washington State Ferry System had a rate of 65%, while the North Carolina Ferry farebox recovery rate was just six percent. By contrast, the farebox recovery rate for the



Inter-Island Ferry Authority was 77% for that year, as well as being the average rate for over the past six years. Public transportation systems generally do not and cannot operate out of the farebox alone. In order to achieve a 100% farebox recovery rate a ferry system needs a strong tourism industry element. Approximately 90% of IFA usage is by residents and non-resident workforce, which puts the IFA outside of this category. Presently there is only one public passenger-vehicle ferry system in the US with a 100% farebox recovery rate, and that is the Steamship Authority ferry serving Martha’s Vinyard. In that operation, in order to serve the greater public good, the ferry authority can pass costs onto tourists, instead of locals.

The public good provided by public transportation necessarily means that elements such as providing affordable, reliable travel, quality working conditions, and adherence to public goals take precedence. Considering this along with the distance the IFA must travel each day, the price of fuel, and the relatively small population the IFA is serving, its farebox recovery rate is remarkably high.

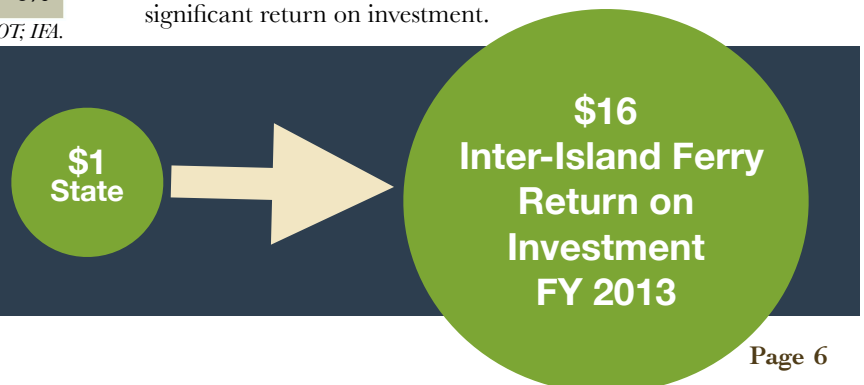
Bang for the Buck— Another way to measure the system’s cost effectiveness is to look at the rate of return for each dollar of State funding invested into the system on an annual basis—the so called “Bang for the Buck” indicator. As a municipal corporation and subdivision of the State, the Inter-Island Ferry Authority is eligible for general fund assistance. In FY13, the State of Alaska invested \$201,046 into the system. The IFA leveraged those funds to generate \$3.4 million in revenues—in other words the IFA created \$16 in revenue for every \$1 of investment by the State of Alaska, a significant return on investment.

Passenger/Vehicle Ferry Systems	Farebox Recovery Rate FY2010
Steamship Authority	100%
Inter-Island Ferry Authority	77%
BC Ferries	69%
Washington State Ferries	65%
Average	49%
Alaska Marine Highway	26%
North Carolina Ferries	6%

Source: A Comparison of Operational Performance. Washington State DOT; IFA.

Leveraging State Dollars

The Inter-Island Ferry Authority leveraged funding provided by the State to attract millions of dollars and hundreds of jobs to Prince of Wales. In FY2013, IFA leveraged state support to generate \$15.97 in revenue for every one dollar of state funding invested.

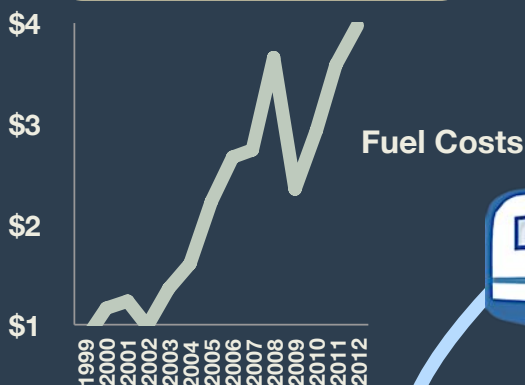


12 Years of Overcoming Challenges

In its 12 years of operations, the Inter-Island Ferry Authority has weathered rough seas and economic challenges. When initial plans for the IFA were drawn up, consultants thought that the system could operate entirely out of the farebox. The Southeast Alaska economy was strong, fuel was at 80¢ a gallon, the number of tourists to the area had increased each year for decades, and anything seemed possible. No one projected the extent of the region's economic crash, which would go on to hit southern Southeast Alaska especially hard. Despite these challenges, the IFA has maintained an extremely high farebox recovery rate and acted as an economic ballast to southern Southeast Alaska during tough economic times. While it is unlikely that the system will ever run entirely out of the farebox, the economic benefits it brings to the region are significant.

The Rising Cost of Fuel

Between original projections and 2012 the average price of diesel in Ketchikan increased five-fold. Fuel expenditures for the IFA in 2012 were nearly \$1million.



Northern Route

By the summer of 2007 fuel prices were rising dramatically and the US economy was becoming increasingly unstable. IFA eliminated the summer double runs on the Southern Route and cut the Northern Route—serving Wrangell, Petersburg, and Coffman Cove—to three service days per week to help alleviate short-falls on both runs. In the spring of 2009 the IFA suspended the Northern Route completely and has since operated one daily round-trip between Hollis and Ketchikan.

Decreasing Population



Decline in Visitors

The number of visitors to Southeast Alaska fell sharply in 2009 and 2010 in response to the global recession, hitting RV and ferry traffic especially hard throughout Alaska. Nationally RV tourism fell by 57%, but the cost of fuel made Alaska RV trips too expensive for most. While visitors are returning to the region, independent tourism in Southern Southeast Alaska appears to still be lagging.

With visitors and population levels no longer in decline, and a possible stabilization in the price of fuel, the IFA is finally better positioned to face these challenges.



The IFA is a Lifeline for Those Seeking Medical Services

The evidence is all around the ferry. It is the Saturday ferry loaded with teens getting their monthly 10-minute “braces-check” at the itinerant orthodontist in Ketchikan. It is the van on the car deck filled with medical supplies and providers coming to restock and train at Prince of Wales (POW) clinics. It’s Prince of Wales residents on their way to Ketchikan, Sitka, or beyond for health-related needs who must make appointments far ahead of time with no way to pick and choose the weather—so they use the ferry to know they will get to the doctor on time. Or perhaps it is someone riding in IFA’s quiet medical room.

Estimates show that about six to nine percent of the ferry’s total annual ridership is onboard for health purposes. A significant number of these passengers pay for their travel with Medicaid and depend on the more affordable ferry to get to the doctor or hospital.

Both the Southeast Alaska Health Consortium’s (SEARHC) Alicia Roberts Medical Center in Klawock and the PeaceHealth Medical Group: POW in Craig regularly refer patients to their hospitals in Sitka or Ketchikan as well as to their system’s facilities elsewhere. A combination of data on medical travel and interviews with medical providers and residents suggests that—depending on the season and circumstances—between 40% and 75% of those traveling between Ketchikan and Prince of Wales for medical purposes go on the IFA ferry. In 2013, this accounted for between 3,000 and 4,500 IFA trips.

The charges for services at PeaceHealth Ketchikan Medical Center for all POW residents’ inpatient and outpatient services totaled over \$7.5 million last year. Of course if there was no ferry service, many of these trips and the related spending would still occur. However, some care would not occur without the ferry due to air service’s greater dependence on good weather, the fact that you can’t drive on and off in your own vehicle, and the higher cost of flying.

In 2013, Medicaid (funder of health



PeaceHealth Ketchikan Photo: Prince of Wales mothers come to Ketchikan two weeks before their due date to await birth.

“The presence of the IFA was a factor in our decision-making when we opened a primary care clinic on Prince of Wales Island.” Ken Tonjes, Chief Administrative Officer for PeaceHealth Ketchikan Medical Center

services for low-income people) paid for 1,570 trips on the Inter-Island ferry, which is an estimated 35% to 55% of all health-related travel on the ferry.

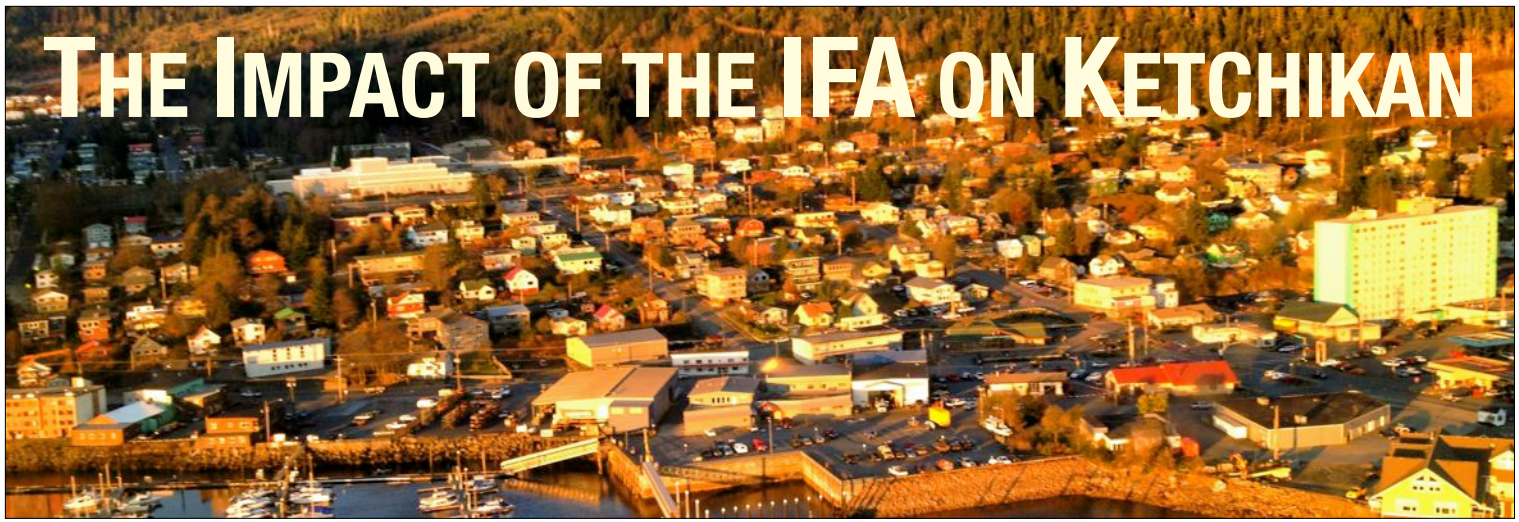
Community Connections, a Ketchikan based behavioral health non-profit, has 200 clients and 15-20 providers on Prince of Wales Island. Their clients and providers regularly go between the island and Ketchikan for children’s mental health, developmental disability, and independent senior living services. Without the ferry system, Community Connection’s costs would go up and the availability of their of service would decrease.

Similar to other businesses, the predictability and ease of IFA service has allowed medical non-profits, businesses, and services to grow both in Ketchikan and on Prince of Wales Island. Ken Tonjes, the Chief Administrative Officer for the PeaceHealth Ketchikan Medical Center explains that, “The presence of the IFA was a factor in our decision-making when we opened a primary care clinic on Prince of Wales Island.” The IFA’s daily, reliable service makes a difference for this key medical provider. Another example is the opening in 2013 of Community Connections new facility in Ketchikan. Predictable transportation service on the IFA is one of many contributing pieces to the puzzle that has enabled medical services to expand on both Prince of Wales and Ketchikan.



Health-Related One-Way Trips on the IFA in 2013

Estimated PeaceHealth staff and patient trips	1,920 to 3,550
SEARHC funded staff, board, and patient trips (Number of SEARHC patients who paid for their trips is not known)	350
Community Connections staff, board, and client trips	150
Conservative estimate of other health-related trips	150
TOTAL	2,920 - 4,550
Spending on healthcare by IFA riders at PeaceHealth Ketchikan	\$3 to \$5.7 million



THE IMPACT OF THE IFA ON KETCHIKAN

IFA Related Spending in Ketchikan is at least \$11 Million Annually

Having a small public ferry system with daily service between Ketchikan and Hollis provides many significant benefits to Ketchikan. These benefits range from dollars spent in the community, to anchoring Ketchikan as the regional hub for Southern Southeast Alaska, to providing Ketchikan residents increased access to recreation, thereby improving overall quality of life.

Each year the Inter-Island Ferry Authority system is responsible for approximately \$11 million in sales in Ketchikan. One million of this is through purchases made directly in support of IFA operations, including expenditures on fuel, work at Vigor Alaska Ship & Drydock, and grocery purchases in support of the galley. Assuming this spending has remained somewhat constant through the years, this means that the IFA has brought \$132 million worth of spending into Ketchikan over the past 12 years.

Shoppers— In addition to direct spending by the ferry authority, the ferry system provides a mechanism for Prince of Wales residents to shop in Ketchikan. Island residents take full advantage of the opportunity to ferry their vehicles to Ketchikan to visit Wal-Mart, A&P and Safeway, and return home with a car load of goods.

One young mother riding the IFA explained it this way, “A case of diapers are \$22 in Ketchikan and more than \$50 on the island. I come over once a month and hit all three stores, because the best deals depend on coupons and sales. Even with the price of the ferry it saves our family a lot of money this way.” Carlos Ortiz, Assistant Store Manager for Walmart, has watched this process develop over the past 12 years. “The IFA means more business for us. Approximately ten percent of sales at our store are by Prince of Wales customers who come over on the ferry to shop.” Other popular destinations include lumber, hardware, and sporting goods stores. There are limited mechanics on the island, so people bring over their vehicles for maintenance. Based on interviews with retail managers in Ketchikan at multiple stores regarding percentage of sales to POW residents, and a detailed account of 93 sales categories from the Ketchikan Borough, Sheinberg Associates estimates that IFA riders from Prince of Wales spent

An arial view of Ketchikan.
\$10 million in Ketchikan in 2012. IFA riders also spend millions more in Ketchikan’s health care industry.

Southern Southeast Hub— Because the IFA allows Prince of Wales residents to use Ketchikan for many of their needs—including medical care, shopping, banking, and other services—it has provided an opportunity for many Ketchikan businesses to grow larger than they would have if they were only serving local clientele. IFA’s presence in Ketchikan has cemented Ketchikan’s

status as the transportation, medical, and economic hub of southern Southeast Alaska, resulting in Ketchikan residents being better served. Moreover, several Ketchikan businesses—such as Ketchikan Northern Sales and Ketchikan Ready Mix & Quarry—have business models based on supplying Prince of Wales customers directly because they are able to easily travel to the island.

Hunting and Fishing— Another opportunity the IFA provides is access to vast hunting and fishing grounds for Ketchikan residents. In 2012, according to the Alaska Department of Fish and Game, 670 Ketchikan residents brought back 895 deer and at least 11 black bear from Prince of Wales. Considering that a buck yields 35 to 40 pounds of meat, this translates to 33,500 pounds of

venison. Sonia Henrick, Southeast Alaska Representative for Senator Murkowski and lifelong resident of Ketchikan explained it like this, “The IFA is so valuable for us. There is so much more access to land on Prince of Wales than we have in Ketchikan. We fill our freezers in one trip and we are set for the winter—and not just for us—we are able to share meat and fish with others in Ketchikan in need. The ferry provides access to that lifestyle.”



Ketchikan resident Sonia Henrick uses the IFA to hunt on POW

Value to Ketchikan	2012 data
Spending by IFA: Fuel, Shipyard, Groceries	\$1 million
Estimate of IFA Ridership Spending: Grocery, clothing, hardware, building materials, automotive, restaurant, etc.	\$10 million
Spending by IFA riders on health care in KTN	\$ millions
Number of Ketchikan residents who hunt deer or bear on Prince of Wales	670



Southeast Alaska's two public ferry systems provide each other value

While the IFA has no direct financial partnership with the Alaska Marine Highway System (AMHS), there are a number of ways in which the two ferry systems work together to create a stronger regional transportation grid for southern Southeast Alaska.

In the early 1990's, leaders of Prince of Wales communities who wanted daily ferry service between Ketchikan and Prince of Wales Island saw an opportunity to take over ferry service from the State and do it on their own. The two systems reached an agreement, permitting the Authority to take over the route.

The IFA relies upon the success of the much larger State ferry system for both tangible and intangible benefits. The IFA Ketchikan operations are located in the State owned AMHS terminal in Ketchikan, and the IFA is permitted to share a berth with AMHS. As a recognized Port Authority, the State is able to provide rent at these facilities to the IFA at a reduced rate. As a further advantage, the AMHS terminal is walkable from the airport ferry terminus. Passengers needing to transfer between these three systems are able to do so with relative ease. One of the benefits is that this has enabled scores of Prince of Wales residents to work for the AMHS ferry system, commuting back and forth to work using the IFA ferry.

Another significant connection between the two systems involves the Ketchikan to Metlakatla service by AMHS. The State uses the MV Lituya to make this connection, but when the Lituya needs repairs or maintenance, the IFA is able to step in to provide daily service to Metlakatla. The IFA schedule permits the system to make this run in place of having down time in Ketchikan, insuring that Metlakatla residents have no disruption

The IFA operations in Ketchikan are collocated at the Alaska Marine Highway System terminal in Ketchikan, enabling connectivity for passengers between the systems.

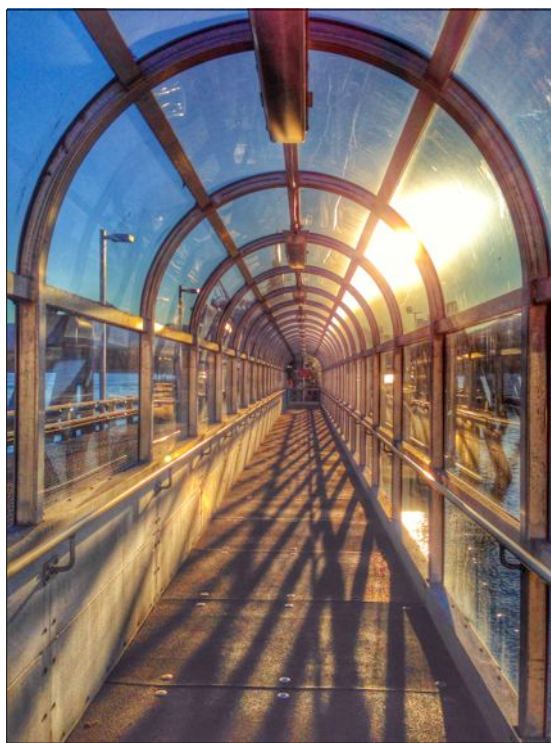
in service, and permitting more flexibility for AMHS.

Dennis Watson, General Manager of the IFA, describes the relationship between the two entities. "IFA and the Marine Highway System have a symbiotic relationship as primary marine transportation providers. While we operate as two entirely separate entities we are quite necessary to one another's and the traveling public's well-being. The Prince of Wales to Ketchikan traffic that

IFA generates complements AMHS's service through Ketchikan and in turn the Ketchikan service complements IFA's route. In the summer months this accounts for a significant percentage of our walk on ridership and almost all of the independent travelers with vehicles traffic. In the fall through spring months the travel opportunities created by this relationship are dominated by school district extracurricular activity travel. AMHS and IFA have on a number of occasions adjusted our schedules to address these needs as well as to facilitate travel to large community and cultural events." Mr. Watson adds, "It's wonderful that AMHS and IFA work in an environment that allows us this flexibility; and it's a tribute to the individuals behind the scene that make these things happen (no small task)."

Reuben Yost, Alaska Department of Transportation Deputy Commissioner responsible for AMHS, explains his perspective of the IFA. "We don't have to cover the route if IFA is operating it, and it is beneficial to IFA's customers, as we

are not likely to provide daily service to Prince of Wales." He also notes that when the IFA took over service to Prince of Wales Island, it allowed AMHS to provide increased service to other communities using existing ferries, including the transition of the MV Aurora to Prince William Sound.



The entry ramp to the IFA in Ketchikan.



IFA & THE VISITOR ECONOMY

Photo Credit: Misty Mountain Tours in Klawock provides fishing, kayaking, and hiking tours catered to the independent traveler.

Visitors who come to Prince of Wales Island on the ferry typically account for 5,740 trips and spend an estimated \$5.8 million annually

One of the advantages of the ferry system is that the beautiful scenery of the cruise through Kasaan Bay and Clarence Strait can be considered a destination in and of itself. An estimated 11% of all IFA travelers are visitors who are traveling to Prince of Wales Island to enjoy the beauty, the fishing, or the hunting. Those tourists who do come to Prince of Wales by ferry spend approximately \$5.8 million annually on the island, and comprise an important source of income for island residents who have established businesses to serve this group. These visitors fall into two categories: summer tourists and fall hunters from Ketchikan.

Summer Tourism— There are approximately 2,200 summer visitors who use the IFA. Since Prince of Wales sees a summer visitor population of 15,000, this means that one out of seven summer visitors comes by ferry. Prince of Wales is best known in the visitor industry for its fishing lodges with package rates that include the flight to the island, meals, accommodations, and fishing. The ferry visitors represent a different kind of tourist. The IFA visitors are more likely to come with children, to rent a car or bring an RV (although the RV market has all but dried up in the last several years) and to experience the island for themselves. Unlike the rest of Southeast Alaska, Prince of Wales Island is rich with a road



Sunset in Craig

network that allows visitors to take in remote vistas in a car or truck. In addition to fishing, this group of visitors spends time driving the 2,000 miles of road and sightseeing.

Ferry visitors travel in an average group size of 2.5. Their estimated per-person daily costs include: Rental car—\$40, Hotel—\$88, Fuel—\$30, Food & Drinks—\$91, Activities—\$92, Other—\$20. Some groups stay all summer, and some come just for a couple days. The average trip length for this group tends to be 6.5 days. Based on these assumptions, the average Prince of Wales independent ferry traveler spends \$360 per person per day, for a total of \$5.2 million in spending by this group overall.

Fall Hunters—The second group of visitors are Ketchikan residents who hunt deer and black bear in the fall. In 2012 the Alaska Department of Fish and Game (ADF&G) counted 670 Ketchikan residents who traveled to Prince of Wales to hunt. According to ADF&G, these Ketchikan hunters spend an average of 5.6 days on the island to hunt, for a total of 3,750 days on the Island. Almost all of these hunters bring their own vehicle. Their estimated per-person daily costs include: Hotel—\$60, Fuel—\$50, Food & Drinks—\$55, Other—\$20; for a total of \$185 per person per day. Therefore the annual spending by this group is estimated at \$676,000.

These figures are estimates based on interviews with those involved in the Prince of Wales visitors industry; deer and bear hunting analysis by the Alaska Department of Fish and Game; Sheinberg Associate analysis for the Prince of Wales Island Borough Feasibility Study; data provided by the IFA; the Economic Impact of Visitors to Southeast Alaska by the McDowell Group, and Prince of Wales Chamber of Commerce.

Annual IFA Visitor Statistics for Prince of Wales Island	Estimated Summer Tourists	Fall Hunters	Total Impact
Average Annual Visitors Using IFA	2,200	670	2,870
Total Annual Visitor Rides on the IFA	4,400	1,340	5,740
Estimated Expenditures of IFA Visitors	\$5.2 million	\$0.68 million	\$5.8 million

IFA by the Numbers, 2014

Visitors made 5,740 ferry trips last year, spending \$5.8 million in Prince of Wales on lodging, food, fuel, vehicle rental, and activities like fishing and hunting.



Each year the IFA ferries 52,000 people and 12,000 vehicles between Ketchikan and Prince of Wales Island.



Since 2002 the IFA saved kids and senior citizens \$14.6 million over the price of flying.



Hundreds of Prince of Wales jobs are dependent on the IFA, primarily in the seafood industry.



Prince of Wales Island

Medical trips accounted for 3,000 to 4,500 ferry trips last year. These "medical tourists" spend millions in Ketchikan hospitals each year.



Last year 3 million pounds of fresh and live seafood with an ex-vessel value of \$15 million was shipped by IFA.



This harvest is taxed by the State, generating \$100,000s for local & State coffers annually.

Students from 13 school districts made 3,700 trips on the IFA last year, saving schools \$307,000 over the cost of flying.



POW residents spent \$10 million in Ketchikan last year on IFA shopping trips. The IFA spent another \$1 million in Ketchikan on fuel, food, and ship repairs.



Ketchikan



For Reservations & Information Call 866-308-4848

Daily Passenger and Vehicle Service Sailing Times

Depart Hollis 8:00 am - Arrive Ketchikan 11:00 am

Depart Ketchikan 3:30 pm - Arrive Hollis 6:30 pm