

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE TRANSPORTATION STANDING COMMITTEE
SENATE TRANSPORTATION STANDING COMMITTEE**

March 26, 2002

1:35 p.m.

HOUSE MEMBERS PRESENT

Representative Mary Kapsner

HOUSE MEMBERS ABSENT

Representative Vic Kohring, Chair
Representative Beverly Masek, Vice Chair
Representative Scott Ogan
Representative Drew Scalzi
Representative Peggy Wilson
Representative Albert Kookesh

SENATE MEMBERS PRESENT

Senator Jerry Ward, Vice Chair
Senator Robin Taylor
Senator Gary Wilken
Senator Kim Elton

SENATE MEMBERS ABSENT

Senator John Cowdery, Chair

COMMITTEE CALENDAR

OVERVIEW: PORT OF BELLINGHAM

PREVIOUS ACTION

No previous action to record

WITNESS REGISTER

JIM DARLING, Executive Director
Port of Bellingham
P.O. Box 1677
Bellingham, Washington 98227-1677

POSITION STATEMENT: Presented an overview of the Port of Bellingham.

ACTION NARRATIVE

TAPE 02-8, SIDE A [House TRA tape]
Number 001

CHAIR JERRY WARD called the joint meeting of the House and Senate Transportation Standing Committees to order at 1:35 p.m. Representative Kapsner and Senators Ward, Wilken, Elton, and Taylor were present at the call to order.

OVERVIEW: PORT OF BELLINGHAM

JIM DARLING, Executive Director, Port of Bellingham, presented a PowerPoint presentation. He informed the committees that the Port of Bellingham and Alaska are in the 13th year of a 20-year arrangement with Alaska. He explained that this arrangement comes in a number of agreements, one of which is the base agreement in which the Alaska Marine Highway System (AMHS) pays \$100,000 a year for use of the terminal in Bellingham. There is also a facility agreement that covers custodial work. Furthermore, the Port of Bellingham performs all the ticketing for the North bound passengers. He noted that [ticketing] costs are less than when the agreement started in 1989.

Number 0204

MR. DARLING pointed out that the ferry was in Seattle, Washington, up until 1989 when the Port of Bellingham made a bid and won it. One of the reasons the Port of Bellingham won the bid was because of the shorter sailing times. Ridership levels have ranged from about 25,000 to 42,000 a year; the ridership is a function of how many vessels sail a year. Mr. Darling informed the committees that of all the runs [AMHS] does, the run to the Port of Bellingham is the one that generates a positive cash flow into the system.

MR. DARLING showed the committees a slide of the terminal at the Port of Bellingham, which was built at a cost of about \$10 million. The terminal was recently remodeled and improved, which cost about \$800,000. Connected to the terminal is a transportation center that provides access to Amtrak and Greyhound as well as city bus service. The advantage of the city bus service is that the terminal is only about ten minutes from Bellingham International Airport, which offers commercial

carriers such as Horizon that would connect with Alaska. Mr. Darling noted that the port operates other facilities some of which have connections with Alaska. He informed the committees that in Squilicum and Blaine there are marinas, which are home to a number of Alaska fishermen. Furthermore, the [port's] shipping terminal has historically done barge work with Alaska. [The port] also owns a number of industrial and commercial properties that have connections with Alaskan markets, such as the Bellingham cold storage. [The port] is linked to the community in that Bellingham is home for many of the ferry workers. Moreover, Western Washington University is located in the area and the vast majority of its out-of-state students are from Alaska. Also, St. Joseph Hospital is in the area. This hospital is part of the "Peace Health Group" that also operates Ketchikan General Hospital, and therefore they share a number of services such as oncology. So, a patient from Ketchikan who needs oncology services would likely take the ferry to Bellingham in order to access St. Joseph Hospital.

Number 0422

MR. DARLING turned to the national security measures taken at the terminal. He informed the committees that passenger identification checks have increased and all the vehicles are searched before entering the ferry. In response to Vice Chair Ward, Mr. Darling explained that the Bellingham Police Department provides uniform law enforcement to meet every vessel arrival and departure. The identification of embarking passengers is checked carefully. If someone is of a suspicious nature, that person's bags are checked. All vehicles [embarking on the ferry] are being checked. Mr. Darling pointed out that [the port authority] operates the airport and thus is very familiar with the security standards. The same types of security measures implemented at the airport are being implemented at the ferry terminal, with the exception of the baggage checking. Regionally, the U.S. Coast Guard is working with regional marine facilities to develop standards similar to those at airports. Hopefully, that process will result in reasonable standards that everyone will use in marine transportation.

MR. DARLING informed the committees that the port does joint marketing with Alaska. Port [officials] visit communities in Southeast Alaska every few years in order to work on promoting the tourism and visitor industry. Mr. Darling mentioned that [Bellingham] like every other waterfront community has an economy that is in transition from a natural resource base to

more of a tourism, visitor economy. Alaskans are a large part of that tourism industry. Mr. Darling noted that he reviewed the 1988 port proposal this morning and [Bellingham] has done all that it said it would, part of which was to develop some waterfront facilities. In closing, Mr. Darling mentioned that the highway system has applied for a scenic byway connotation from the Federal Highway Administration in order to make the route a federal scenic highway. If that is approved, the [port] expects additional funds to promote that. Mr. Darling offered to take questions.

Number 0685

SENATOR TAYLOR inquired as to any restrictions that would apply with the scenic highway designation.

MR. DARLING related his understanding that there are no restrictions.

SENATOR TAYLOR related his belief that in other locations with established corridors or byways, there were some restrictions due to the narrow definition for byway. He expressed concern that a designated scenic byway may come with restrictions that don't allow it to ever be upgraded to a highway.

MR. DARLING said he has asked the same question and has been assured [that there are no restrictions]. Mr. Darling pointed out that the Bellingham community has made a tremendous investment in this facility and the community continues to support this. He noted his appreciation of the relationship between Bellingham and Alaska.

Number 0880

VICE CHAIR WARD inquired as to the structure of [the Port of Bellingham] and how it works.

MR. DARLING explained that in 1911 Washington law created the ability to form port authorities, which are municipal corporations. There are about 82 such entities in the State of Washington, which amounts to about a quarter of the port authorities in the United States. The port authorities have powers of taxation and eminent domain. However, the port authorities have no regulatory authority or responsibility. The responsibility that the port authorities have from the state deals principally with transportation. In the 1950s the power of the port authorities was expanded to include economic

development. Therefore, the ports in the State of Washington operate airports and train stations. Due to the economic development component, the Port of Bellingham is involved in real estate. Mr. Darling noted that the port has three elected commissioners that serve on a board, and much like school districts the board appoints a Chief Executive Officer.

VICE CHAIR WARD inquired as to how much income is derived from economic development.

MR. DARLING explained that the [Port of Bellingham] is organized such that a quarter of its revenue is from property taxes and 75 percent is from operating income. All the port's tax dollars are returned to environmental cleanup projects, public access projects, and economic development. Those are reinvestments into the community. Mr. Darling highlighted that the operating side operates financially independent of taxes. Therefore, the port operates under whatever the gross revenue is and that is where the debt service is covered. He explained that the operating side includes marinas, small boat harbors, the cargo facility, the passenger terminal, the port's real estate portfolio, and the airport. The Port of Bellingham is one of the few port authorities that operates an airport without tax dollars.

Number 1076

SENATOR ELTON related his assumption that the port authority's land base is co-located with the port facilities and thus is near the harbor and the airport.

MR. DARLING specified that the port authority's political boundaries are coterminus with Whatcom County, but the port authority's facilities are generally located around the [port's] transportation facilities. However, the port authority has an industrial park at a border town of Canada.

VICE CHAIR WARD asked if the port authority was given a land grant or the authority to tax land.

MR. DARLING answered that the port authority was given the authority to tax land. The port authority pays a property tax in lieu of taxes, a leasehold tax. The port authority amounts to approximately 3 percent of the property tax bill. The bulk of the port authority's income comes from the authority's business.

Number 1158

SENATOR WILKEN inquired as to Mr. Darling's thoughts on the Vancouver port in regard to growth.

MR. DARLING noted that although market forces have pushed the Port of Bellingham farther away from marine cargo, it is still familiar with it. He estimated that the Vancouver Port Authority does about 78 million tons [of cargo a year]. To put that in perspective, all the ports in the State of Washington do about 72 million tons of cargo a year. The Vancouver Port Authority competes with Washington ports and some other West Coast ports because [Vancouver] has a really good East-West rail lines whereas Washington only has one [rail line].

Number 1234

SENATOR WILKEN inquired as to changes in security since Black Tuesday.

MR. DARLING said that [the Bellingham International Airport] did what every other airport did due to the Federal Aviation Association's (FAA) alert system. On the marine side, the U.S. Coast Guard didn't have an alert system. In Washington, the U.S. Coast Guard quickly surveyed all the marine facilities and made specific recommendations for each facility. The port implemented those recommendations. Now the U.S. Coast Guard is creating a marine security system with various levels of [alert] that have specific guidelines. Federally, 15 cargo ports are being selected to do extraordinary security. The Port of Bellingham doesn't handle enough cargo to be chosen.

VICE CHAIR WARD posed a situation in which someone goes through security at the [Port of Bellingham]. He asked if the fact that the individual went through security carries through to the next port.

MR. DARLING said it does in a sense, because once the individual is on the vessel the individual has went through some security clearance to go on the vessel. He said he couldn't speak to what happens if there are layovers, although he felt that the marine highway system is checking that.

VICE CHAIR WARD remarked that not everyone wants to go through a complete screening process at every port.

MR. DARLING turned to the expense of the [screening] technology. For example, the port's operating budget has increased by 50 percent with this first year of security measures.

Number 1399

SENATOR ELTON related his understanding that the Port of Bellingham's facilities is making a payment to Bellingham in lieu of taxes.

MR. DARLING answered yes, and clarified that the payment is made through the state to the local municipal jurisdiction. He specified that there is no payment on facilities that the port authority operates. The payment is made on any income that is derived. He noted that there is a debate on this in relation to how to treat cargo.

VICE CHAIR WARD thanked Mr. Darling. He related his belief that the Port of Bellingham has been a good partner.

ADJOURNMENT

There being no further business before the committees, the joint meeting of the House and Senate Transportation Standing Committees was adjourned at 1:58 p.m.