

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

April 5, 2005
1:34 p.m.

MEMBERS PRESENT

Representative Jim Elkins, Co-Chair
Representative Vic Kohring
Representative Mark Neuman
Representative Bill Thomas
Representative Woodie Salmon

Senator Charlie Huggins, Chair
Senator Gene Therriault
Senator Hollis French

MEMBERS ABSENT

Representative Carl Gatto, Co-Chair
Representative Mary Kapsner

Senator John Cowdery
Senator Albert Kookesh

COMMITTEE CALENDAR

OVERVIEW(S): PORT OF TACOMA

- HEARD

OVERVIEW(S): FEDERAL AVIATION ADMINISTRATION WEATHER CAMERA
PROGRAM

- OVERVIEW CANCELED

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TIMOTHY J. FARRELL, Executive Director
Port of Tacoma
Tacoma, Washington

POSITION STATEMENT: Presented the overview regarding the Port of Tacoma.

SHARI GROSS TEEPLE, Consultant
Port of Tacoma
Seattle, Washington

POSITION STATEMENT: Responded to a question during the overview regarding the Port of Tacoma.

EDGAR A. ENGELHARDT, Director
Container Terminal Businesses
Port of Tacoma
Tacoma, Washington

POSITION STATEMENT: Responded to a question during the overview regarding the Port of Tacoma.

ACTION NARRATIVE

CHAIR CHARLIE HUGGINS called the joint meeting of the House Transportation Standing Committee and Senate Transportation Standing Committee to order at [1:34:45 PM](#). Present at the call to order from the House Transportation Standing Committee were Representatives Elkins, Kohring, Neuman, and Thomas; Representative Salmon arrived as the meeting was in progress. Present at the call to order from the Senate Transportation Standing Committee were Senators Huggins and French; Senator Therriault arrived as the meeting was in progress.

OVERVIEW(S)

PORT OF TACOMA

CHAIR HUGGINS announced that the only order of business would be the overview regarding the Port of Tacoma.

CHAIR HUGGINS characterized Alaska's relationship with the state of Washington as an interdependent one that will continue throughout the future.

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TIMOTHY J. FARRELL, Executive Director, Port of Tacoma, presented the overview. He highlighted the economic links between Alaska and the Port of Tacoma, and mentioned that ports in Washington are municipal corporations. In other words, within a district, the port's board of directors is elected by the general electorate and, as such, have a great deal of

independence conferred upon them as separate political subdivision. For example, the structure of such a board allows it the ability to make public policy statements in the form of resolutions; one such policy was the Port of Tacoma's resolution to support the Arctic National Wildlife Refuge (ANWR) [development]. The purpose of ports in Washington is to create economic development and jobs, and this is done mostly through trade and through industrial development of such facilities as marine terminals, airports, tourism, as well as through development, manufacturing, and distribution uses throughout the state of Washington, in particular Puget Sound.

MR. FARRELL said that the ports maintain an independent financial structure by operating as municipal corporations, have private revenue streams, through rentals and fees, as well as expenses. Such ports have the ability to levy a property tax within the port district, and this amounts to approximately 10 percent of the port's overall income in a given year. Last year the port generated \$89 million in operating revenue and \$9 million in tax levy. The operating revenues go to support operations and a portion of capital investment, which can be leveraged using general obligation (GO) and revenue bonds. The tax levy goes towards public infrastructure such as widening and deepening waterways, and building roadways in and out of the port.

MR. FARRELL mentioned that for 2004, the Port of Tacoma was seventh out of the top ten container ports in the U.S., having moved about 1.8 million containers over its docks in the course of that year. Of that 1.8 million, over 500,000 containers were trafficked between the Port of Tacoma and Alaska. Additionally, about 70 percent of the cargo that is moving out of the Lower 48 and into Alaska is coming through the Port of Tacoma. This also amounts to in excess of \$3 billion worth of trade between Alaska and Washington. Alaska, as a trading partner with Tacoma, is Tacoma's third largest trading partner behind China and Japan.

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SENATOR FRENCH asked if there was a comparable figure in terms of dollar volume between Alaska and the port of Seattle.

MR. FARRELL said he would research that issue and get back to the committee with an answer. He went on to say, though, that the Port of Tacoma serves the Railbelt, Dutch Harbor, and the main population centers, while the Port of Seattle serves

Southeast Alaska and some of the "out" ports in the Bering Sea and North Slope via barge.

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CHAIR HUGGINS asked why Seattle and Tacoma service different sectors of the population.

MR. FARRELL said the main reason is the difference in the labor force in Tacoma. For example, in order to operate an on-time, scheduled liner service, as both Horizon Lines ("Horizon") and Totem Ocean Trailer Express (TOTE) do, it requires a certain flexibility and business savvy "of the labor force." The Tacoma longshore union has demonstrated this ability in 1976, when TOTE move into Tacoma, and again in 1985, when Horizon moved into Tacoma; the longshore workforce in Seattle, however, has not. Currently the barge activities in Seattle are conducted by an affiliate union of the International Longshore and Warehouse Union (ILWU), the Inlandboatmen's Union of the Pacific (IBU). Barge activities involve an entirely different type of market, "not so speedy"; barges are slower and less expensive but it's a tougher service to maintain.

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MR. FARRELL went on to say that among all the trade between Alaska and Tacoma, 85 percent of it is northbound, with the remaining 15 being southbound and generally consisting of seafood products [and tankers]. He noted that all manner of food, clothing, shelter, and house wares used throughout Alaska, particularly in the Railbelt, are moved through the Port of Tacoma. This constitutes a significant enough portion of the port's business to warrant organizing port staffing around Alaska's needs. He mentioned several companies that do business in Alaska via the Port of Tacoma to the extent that they have satellite operations in Tacoma. The Port of Tacoma has a number of links to Alaska that have developed over a long period of time, is a member of the Alaska State Chamber of Commerce (ASCC), and years ago did a great amount work helping "to stage for the North Slope development." He relayed that the Port of Tacoma is prepared to support, and has land available for the support of, the development of the gas pipeline or Arctic National Wildlife Refuge (ANWR) or other significant economic development projects in Alaska that need facilitation from a port in the Lower 48.

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REPRESENTATIVE NEUMAN asked whether the Port of Tacoma is taking any steps to promote the development of ANWR.

MR. FARRELL reiterated that the Port of Tacoma Commission has passed the resolution in support of ANWR development, and noted that the [president of the commission] is engaged in a number of the lobbying efforts in support of such development. He characterized the Port of Tacoma as an active, hopeful supporter of ANWR development. In response to a further question, he noted that the commission does speak to Washington's state legislature, though it has not been particularly receptive, regarding the importance of ANWR's development to Washington's economy.

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CHAIR HUGGINS raised the issue of taking liquefied gas to the west coast, and whether such would be transported through the state of Washington; he indicated that the representatives from the Port of Tacoma would be researching that issue further.

MR. FARRELL relayed that the Port of Tacoma and the Port of Anchorage have a formal partnership agreement, which was signed in 1988, and, because of that agreement, have had an opportunity to work together in developing foreign trade zones, and in "doing some organizational benchmarking at the governance level." He mentioned other groups in which the Port of Tacoma participates, and characterized the development of the gas pipeline and the ANWR as good for the state of Washington. Upon development of the North Slope, he remarked, there was a permanent increase in Alaska's population, which increased the general level of activity in the Port of Tacoma, since it is through the Port of Tacoma that most goods are transported to Alaska's retail stores.

REPRESENTATIVE NEUMAN asked whether the Port of Tacoma has had discussions with "Port McKenzie" regarding trade or development.

MR. FARRELL offered his understanding that such development is underway and that trade has already begun between Port McKenzie and Korea, though he himself has not had contact with the folks in Port McKenzie.

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SHARI GROSS TEEPLE, Consultant, Port of Tacoma, added that she and others have had contact with those in Port McKenzie over the years.

CHAIR HUGGINS asked whether the Port of Tacoma receives any Agrium [Inc.] products.

MR. FARRELL said he did not believe so.

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CHAIR HUGGINS noted that shipping items designated as hazardous cargo drives up the cost of shipping. He asked what sort of things might help with cost containment regarding hazardous materials.

MR. FARRELL said different pictures are presented depending upon which regulator one talks to. For example, the U.S. Coast Guard has a history of working well with the industry, of having a regulations-making process that achieves its goals without being abusive to the industry. Other federal agencies, however, have not been as interested in the success of the industry as they have been in enforcement aspects; he characterized the U.S. Customs & Boarder Protection agency is an example of such.

CHAIR HUGGINS asked whether the Port of Tacoma provides such agencies with feedback regarding how their processes might be driving up the cost of shipping.

MR. FARRELL said it does do so, and mentioned an example regarding feedback on processes instituted during the war on drugs.

CHAIR HUGGINS surmised that automobiles come through the Port of Tacoma.

MR. FARRELL concurred.

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CHAIR HUGGINS raised the issue of trading companies in Asia.

MR. FARRELL noted that a lot of trading companies in Japan are large holding companies and could, for example, own construction or mining companies in the states. Typically in Japan, because that country is so dependent upon international trade for raw

materials, its trading companies are almost exclusively international in terms of their base.

CHAIR HUGGINS noted that one of the challenges of building roads in Alaska is the quality of aggregate rock that can be obtained. He asked whether the Port of Tacoma ships aggregate rock.

MR. FARRELL relayed that there is significant mining of high quality aggregate rock in the Puget Sound region, though he is not aware that such material is being exported to other locations.

CHAIR HUGGINS asked whether the Port of Tacoma has relationships with other states similar to what it has with Alaska.

MR. FARRELL indicated that it did not, but did mention that the bulk of the cargo from international markets that comes through the Port of Tacoma travels on to Illinois and New York via rail. In response to a question, he said that typically [cargo] is branded by the steamship lines, which often own trucking companies as well, and they're pretty much "branding the move" itself.

CHAIR HUGGINS asked whether the legislature could do anything to help ensure less costly shipping.

MR. FARRELL suggested that the legislature keep an eye on the balance between barge operations and line-of-shipping operations as a place where some "tweaking" might be available.

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EDGAR A. ENGELHARDT, Director, Container Terminal Businesses, Port of Tacoma, added that there are organizations operating around the Port of Tacoma that gathers cargo from various sources and combine them into container loads and trailer loads in order to provide for their most efficient use. This practice by such organizations has made the system much more efficient.

REPRESENTATIVE NEUMAN mentioned that there has been talk of possibly building a rail line between Alaska and Washington that would pass through Canada. He asked what the effect of such a line would be on the [barge and container] shipping industry.

MR. FARRELL relayed that TOTE recently deployed new vessels on its Tacoma-Anchorage route that were capable of handling 53-foot highway trailers. In between the time that such trailers became

available for use and the time that TOTE deployed its new vessels, some business did shift to the Alaska-Canada Highway ("Alcan Highway"). He added, "So there is vulnerability there, from a vessel side; I think there's some pricing discipline there too." He indicated that the use of rail could have wider-ranging implications with regard to what areas of the country Alaskans would be sourcing cargo from, though any impacts [on the Port of Tacoma] might not be felt for some time.

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REPRESENTATIVE NEUMAN surmised that a rail line could make shipping markets more competitive.

MR. FARRELL acknowledged that it could, but noted that in addition to the fact that vessel capacity far exceeds rail capacity, any company that intends to compete with the Port of Tacoma through the use of rail would first have to address the issue of economies of scale, which have already been established at the Port of Tacoma. In response to a question, he said that typically the cargo that comes to Alaska arrives at the Port of Tacoma via truck rather than via rail, and that typically rail cargo at the Port of Tacoma consists of International cargo going east.

CHAIR HUGGINS mentioned he'd heard that China might be buying petroleum out of Canada.

MR. FARRELL noted that China has offered to buy "all of the supply coming out of Venezuela." He opined that China will continue to be an aggressive "sourcer" of raw materials from around the world, and has a smart economic development plan in place. The question will be, he predicted, is at what point will the rest of the world say, "I'm not willing to put all my eggs in one basket," and start to spread things around again a little bit more. "It's an interesting balance between risk management and being in the low-cost producers' field of endeavors," he concluded.

ADJOURNMENT

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There being no further business before the committees, the joint meeting between the House Transportation Standing Committee and Senate Transportation Standing Committee was adjourned at 2:07 p.m.