

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

Ketchikan, Alaska

August 21, 2007

10:07 a.m.

MEMBERS PRESENT

Representative Kyle Johansen, Chair
Representative Mark Neuman, Vice-Chair
Representative Mike Doogan
Representative Craig Johnson
Representative Woodie Salmon

MEMBERS ABSENT

Representative Anna Fairclough
Representative Vic Kohring

COMMITTEE CALENDAR

TRANSPORTATION ISSUES BETWEEN ALASKA AND CANADA

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

JOE WILLIAMS, Mayor
City of Saxman;
Mayor, Ketchikan Gateway Borough
Saxman, Alaska

POSITION STATEMENT: Supported daily transportation service between Ketchikan, Alaska, and Prince Rupert, British Columbia.

HERB POND, Mayor
City of Prince Rupert
Prince Rupert, British Columbia, Canada

POSITION STATEMENT: Supported daily transportation service between Ketchikan, Alaska, and Prince Rupert, British Columbia.

BOB WEINSTEIN, Mayor
City of Ketchikan
Ketchikan, Alaska

POSITION STATEMENT: Supported daily transportation service between Ketchikan, Alaska, and Prince Rupert, British Columbia.

VICTOR WELLINGTON, Mayor
City of Metlakatla
Metlakatla, Alaska

ACTION NARRATIVE: Expressed his hope that this meeting creates positive momentum regarding transportation service.

DAVE MACDONALD, Mayor
District of Port Edwards
Port Edwards, British Columbia, Canada

POSITION STATEMENT: Stated that the Prince Rupert harbor will help several communities.

CHARLIE FREEMAN, Vice-Mayor
City of Ketchikan
Ketchikan, Alaska

POSITION STATEMENT: Welcomed participants.

JERRY REESE, Chief
British Columbia, Canada

POSITION STATEMENT: Supported transportation service between Ketchikan, Alaska, and Prince Rupert, British Columbia.

JIM VANHORN, Staff
to Senator Bert Stedman
Juneau, Alaska

POSITION STATEMENT: [Comment indiscernible.]

BILL WILLIAMS
Ketchikan, Alaska

POSITION STATEMENT: Welcomed participants.

RUSSELL KELLY, Legislative Liaison
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Stated many changes are taking place in the Department of Transportation & Public Facilities (DOT&PF).

CATHIE ROEMMICH, Chair
Marine Transportation Advisory Board (MTAB)
Juneau, Alaska

POSITION STATEMENT: Said she hopes this meeting enhances communications with DOT&PF.

JOHN (JC) CONLEY
Marine Transportation Advisory Board (MTAB)
Ketchikan, Alaska

POSITION STATEMENT: Supported transportation service between Ketchikan, Alaska, and Prince Rupert, British Columbia.

GEORGE CAPACCI, Captain, Vice President
Fleet Operations
British Columbia Ferry Services, Inc. ("BC Ferries")
(No address provided)

POSITION STATEMENT: Stated that a goal of BC Ferries is to build a joint port facility that the Alaska Marine Highway System (AMHS) could make use of.

BRUCE JONES, General Manager
Inter-Island Ferry Authority (IFA)
Craig, Alaska

POSITION STATEMENT: Called [transportation service between Ketchikan and Prince Rupert] an exciting concept.

RUDY BRUEGGEMANN, Political and Economic Relations Officer
Canadian Consulate
Anchorage, Alaska

POSITION STATEMENT: Stated he is at this meeting to help people understand the issues and listen to what they have to say.

DENNIS HARDY, Deputy Commissioner of Marine Operations
Marine Highway System (AMHS)
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Stated he is at this meeting to listen.

JOHN FALVEY, Captain, General Manager
Marine Highway System (AMHS)
Alaska Department of Transportation & Public Facilities (DOT&PF)
Ketchikan, Alaska

POSITION STATEMENT: Stated that planning for a southern gateway shuttle was reinstated in 2007, but there is no funding at this time to build the shuttle.

KENT MILLER
Ketchikan, Alaska

POSITION STATEMENT: Presented a private sector option for passenger and vehicle ferry service between Ketchikan and Prince Rupert.

ACTION NARRATIVE

CHAIR KYLE JOHANSEN called the House Transportation Standing Committee meeting to order at [10:07:29 AM](#). Representatives

Neuman, Doogan, and Johansen were present at the call to order. Representatives Salmon and Johnson arrived as the meeting was in progress. Senator Stedman was also present.

TRANSPORTATION ISSUES BETWEEN ALASKA AND CANADA

[10:08:08 AM](#)

CHAIR JOHANSEN announced that Mayor Williams asked the House Transportation Committee to act as the vehicle to get the issue of connecting Ketchikan and British Columbia "on the table." He has been contacted by officials from Hyder about the same issue. Representatives Johnson, Neuman, Doogan, Salmon, and Johansen were present at the call to order. Representative Johansen asked participants at the meeting to introduce themselves.

[10:09:14 AM](#)

Participants introduced themselves as follows: Mayor Joe Williams, Ketchikan Gateway Borough and the City of Saxman; Mayor Dave MacDonald, District of Port Edwards, British Columbia; Rudy Brueggemann, Political and Economic Relations Officer, Anchorage; Captain John Falvey, General Manager, Alaska Marine Highway System; Bruce Jones, General Manager, Inter-Island Ferry Authority; Chief Jerry Reese, British Columbia; Captain George Capacci, Vice President of Fleet Operations, BC Ferries; Dennis Hardy, Deputy Commissioner of Transportation; Russ Kelly, Special Assistant to Governor Palin; Mayor Bob Weinstein, City of Ketchikan; Mayor Herb Pond, City of Prince Rupert; Mayor Victor Wellington, Metlakatla; Sol Atkinson, Transportation Director, Metlakatla; John (JC) Conley, Marine Transportation Advisory Board; Cathie Roemmich; Kent Miller, private industrial economist, Ketchikan; Charlie Freeman, Vice-Mayor, City of Ketchikan; Jim VanHorn, Staff to Senator Bert Stedman; Pete Ecklund, Staff to Representative Kevin Meyer; [remainder of introductions indiscernible].

[10:12:38 AM](#)

CHAIR JOHANSEN thanked all participants for coming and said this topic is extremely important to him. Prince Rupert has always been an important connection to Ketchikan. He believes for the health of the economies of both communities, a good plan or schedule is necessary to move people and goods back and forth. His intent is to bring this issue to the table and "see where people are coming from." The committee has no predisposed plan nor will it be making any decisions; this meeting is strictly a

brainstorming session. He plans to follow up with a meeting in Juneau during the next session. He commented that the Alaska Marine Highway System (AMHS) is aging so its replacement or a new system needs to be contemplated and brought before the legislature because any plan will need statewide support.

[10:15:28 AM](#)

JOE WILLIAMS, Mayor, City of Saxman, and Mayor, Ketchikan Gateway Borough, performed a traditional tribal welcome "to his father's people's land" by singing a song and explained that down feathers are simultaneously thrown in the air and land on people as a sign of welcome. Mayor Williams then sang another song for members.

MAYOR WILLIAMS thanked everyone for attending. He noted that he and Mayor Pond have been talking about organizing this meeting for over a year. Mayor Pond had invited Borough officials to attend a meeting in Prince Rupert in October of last year. The Ketchikan officials had to charter a plane to get there at a cost of \$1100. The distance is 90 miles. Mayor Pond then traveled to Ketchikan but his route was through Vancouver and Seattle. Mayor Williams said he and Mayor Pond visited over July 4th and discussed organizing a House Transportation Standing Committee meeting. He and Mayor Pond desire to get daily transportation service between Ketchikan and Prince Rupert. He told members that Prince Rupert is developing a deep water port, which will benefit Ketchikan and Metlakatla, as well as other Southeast Alaska towns. He said daily service to Prince Rupert will provide further services.

[10:23:09 AM](#)

HERB POND, Mayor, City of Prince Rupert, told members that although he will refer to Prince Rupert in his presentation, he is speaking about an entire territory. He introduced Chief Jerry Reese and pointed out that Prince Rupert is in the heart of Tsimshian territory. He referred to an historical photo of a British Columbia (BC) ferry assisting an Alaskan ferry that hit a rock and another photo of the first annual Prince Rupert-Ketchikan baseball tournament in 1912, a lively event. He thought the baseball photo was significant in that logging did not even begin in the area until 1907. He pointed out that Ketchikan is the closest community to Prince Rupert that is similar in size, yet transportation between the two communities is very limited. Mayor Pond told members:

I'm just tickled by all of the people that have come here. When I saw the invitation list and who had agreed from the Alaska side, I was extremely impressed. When I saw who from [indisc.] side, just immediately signed up and indicated they wanted to be here and were prepared to switch their schedules around, I was equally impressed, and I want to thank each and every one of you for making this happen. The Tsimshian have a word, which is kind of an all inclusive word, and Gary can correct me and also these gentlemen can correct me, but it's "wy wat" (ph) and it's often said at the end of something. It basically is a catch-all that says let's do it, let's make it happen. So I hope at the end of this meeting that we gathered today that we're able to say wy wat and let's make something happen.

[10:28:43 AM](#)

BOB WEINSTEIN, Mayor, City of Ketchikan, welcomed everyone to the meeting and said the transportation issue between the two communities has been of great importance to him. He has been an advocate of daily service for many years. He said he was very elated several years ago when \$27 million was allocated for a gateway shuttle, but was equally disappointed when the money was taken away. He said, "Our job is to regroup and come up with a good option to do what our communities have been trying to do for many years, and that not only includes trying to establish a good transportation link between our communities but also to improve our business [indisc....]"

[10:30:18 AM](#)

VICTOR WELLINGTON, Mayor, City of Metlakatla, told members one reason he came to this meeting is that he sat with the mayor of Prince Rupert in Juneau a few years ago and talked about transportation. Road construction is underway on a road between Metlakatla and [Ketchikan]. He is very excited about what he is hearing about transportation. Metlakatla is a Tsimshian community; he and other members of the community have many relatives in [northern Canada]. He relayed that his staff, Sol Atkinson, addresses transportation issues. He said he hopes the meeting creates some positive momentum.

[10:33:17 AM](#)

DAVE MACDONALD, Mayor, District of Port Edwards, said the Prince Rupert harbor will help several communities. He is excited to be present and is looking forward to the discussions.

[10:33:57 AM](#)

CHARLIE FREEMAN, Vice-Mayor, City of Ketchikan, welcomed all participants.

[10:34:39 AM](#)

JERRY REESE, Chief, said he was involved with the City of Prince Rupert a number of years back. His community and the community of Metlakatla got together and talked about creating a link to Prince Rupert. They lobbied Ottawa; his goal was to do a road upgrade at that time. His community runs a ferry service from [indisc.] Inlet to Prince Rupert at a deficit every year. He sees this link as a huge opportunity for his community and Metlakatla. It would open up tourism in his community and in the Tsimshian Peninsula. He said there are discussions about building a ferry landing in his community to shorten the run from Alaska. He noted a bridge between [indisc.] and Prince Rupert has been discussed but that may never happen because of the cost. He said he used to come to Metlakatla to play basketball when he was younger. He has relatives in Metlakatla.

[10:38:06 AM](#)

CHAIR JOHANSEN announced that Representatives Salmon and Johnson had joined the meeting via teleconference. He informed the representatives that participants are going around the room introducing themselves.

[10:38:28 AM](#)

JIM VANHORN, Staff to Senator Bert Stedman, [Mr. VanHorn's comment was indiscernible.]

[10:40:08 AM](#)

CHAIR JOHANSEN said this effort should dovetail with Senator Stedman's efforts in the Senate Finance Committee and that he would talk to the Department of Transportation & Public Facilities (DOT&PF) about reviewing the statutory obligations for its Alaska Marine Highway System (AMHS) plans.

[10:40:39 AM](#)

BILL WILLIAMS, a former representative in the Alaska State Legislature, welcomed everyone to Ketchikan. [The remainder of his comment was indiscernible.]

10:42:42 AM

RUSSELL KELLY, Legislative Liaison, Office of the Governor, said he was glad to be attending the meeting and that many changes are taking place in DOT&PF. The governor is hoping for improved communication and is interested in innovative ideas. [The remainder of his comment was indiscernible.]

10:44:32 AM

CATHIE ROEMMICH, Chair, Marine Transportation Advisory Board (MTAB), said she hopes to come out of the meeting today with more information and enhanced communications with DOT&PF.

JOHN (JC) CONLEY, Marine Transportation Advisory Board (MTAB), said it is good to see friends from Prince Rupert. He noted a daily shuttle has been discussed for a long time as well as the declining relationship with Prince Rupert. He believes a convergence is occurring. Prince Rupert has a world class mega-port that has opened the world up to Alaskan products. It is connected to Asia and the Midwest. Southeast has some resources that can only be sent to another market for processing. Another opportunity Southeast Alaska has with its British Columbian neighbors is to create a power grid. That will eventually create affordable energy and a good transportation link, the two necessary components of economic development and a link to Asia and the Midwest. This partnership will create a win/win situation. He hopes the Legislature will give the Alaska Marine Highway System the funds needed to get a ferry built. He stated:

We should be running a ferry out of Prince Rupert, into Ketchikan, up to South Mitkof - remember that George - grabbing the fish at South Mitkof, coming back to Ketchikan, grabbing some more fish and going to Prince Rupert and now we've got a mega port. You can pick your market - left or right - Asia or Chicago. This has changed. I applaud your efforts, Mr. Chairman, and I'd like to thank Mayor Williams and Mayor Pond. But it's going to require your leadership to ensure that we have a plan to succeed. This might be a harsh comment but having been around the competition of roads and ferries, I think a

lot of times there's a desire that the plan fail. That's why they were always talking about building new boats but not building them. Thank you.

[10:48:30 AM](#)

GEORGE CAPACCI, Captain, Vice President, Fleet Operations, British Columbia Ferry Services, Inc., said one of the goals of the ferry systems throughout northwestern America is to address the challenge of aging infrastructure, both boats and terminals. British Columbia Ferry Services ("BC Ferries") is rebuilding its fleet and it is embarking on a major capital investment program to build a small and intermediate sized fleet. Another challenge to creating transportation links is providing infrastructure on shore. A goal of BC Ferries is to build a joint port facility that the Alaska Marine Highway System could make use of.

[10:50:27 AM](#)

BRUCE JONES, General Manager, Inter-Island Ferry Authority (IFA), said he has only been at his current job for three weeks but was on the board of the Southeast Conference for a few years, during which time this exciting concept was discussed. IFA is governed by a board of directors. [The remainder of his testimony was indiscernible.]

RUDY BRUEGGEMANN stated that he is here to help people understand how the issues work and to listen to what people have to say. [The remainder of his testimony was indiscernible.]

[10:52:19 AM](#)

DENNIS HARDY, Deputy Commissioner of Marine Operations, Marine Highway System, Department of Transportation & Public Facilities (DOT&PF), said DOT&PF's goal is to run the boats, but the fleet is aging and something needs to be done budget-wise to help. He said he is here to listen.

CHAIR JOHANSEN said one reason he scheduled this meeting is to decide what to do, and develop an airtight case to make it easier to sell at a statewide level. He related that Mayor Williams and Mayor Pond want to get this started now and move forward with a plan.

[10:55:01 AM](#)

[Witness name and comments indiscernible.]

[10:55:36 AM](#)

MAYOR WILLIAMS commented that if everyone is serious about having daily service between Ketchikan and Prince Rupert, it is time to do it. It is the only means of economic development for Ketchikan. He noted Mayor Pond's 12 hour trip to Ketchikan from Prince Rupert and that no one else would make that trip because of the cost and time. He wants to see the daily shuttle become a reality because with the development of a deep water port in Prince Rupert, the shuttle will only benefit southern Southeast Alaska. He thanked Chair Johansen for holding the meeting and thanked all participants for attending.

[10:57:47 AM](#)

MAYOR POND stated the following during his PowerPoint presentation:

All of us in the room are aware of the Southeast Conference, the great organization that it is and the incredible work that it achieves. But I think sometimes we forget about the origins of the Southeast Conference and that Prince Rupert indeed was a charter member of Southeast Conference. As the governor of Alaska and the premiere of British Columbia in the day decided that it would be very important to link our countries with a ferry network. The premiere of British Columbia committed to extending ferry service into Prince Rupert and the governor of Alaska committed to extending ferry service down to Prince Rupert and the Southeast Conference was formed around that. To this day, it is what it is and has had the impact that it has.

I want to suggest to you today that had those decisions not been made, that we would have all the reason today to do it again - that if we were to enter into this world today and there wasn't linkage back and forth between our countries and our communities at this level, that we would be gathering here today to talk about why we should be because there's opportunities for both of us.

I happen to have a picture which my buddy [indisc.] pulled up for me and I sure appreciate that. He obviously understands where my heartstrings are at. I don't expect you to see it very clearly but this is pulled off the web

... because these are the cranes arriving in Prince Rupert last night. Three large cranes coming all the way from China on a special vessel designed to carry this sort of load. It's kind of hard to get it when you look at these things, but our [indisc.] Hotel in Prince Rupert is a 14 story structure. These cranes will dwarf that 14 story hotel. ... It gives you a sense of what it is that we're talking about in Prince Rupert and really why this matters to Alaska. In my view there [are] two reasons - JC hit it well.

One is the development of a trade corridor that is going to open up opportunities for the movement of goods and the movement of resources and the connecting of business in a new way. Business is shifting around the world and some of us have been a little slow to catch it. We all have a view of this shirt having been made in China and shipped to a shelf at Wal-Mart where I bought it. That's kind of the way that [indisc.] really works. But the reality is that it's much more complex. The reality is that the cotton that went into this shirt actually came out of Memphis. One of the big partners that Prince Rupert has in this addition is Memphis, Tennessee, because they're going to be loading cotton into containers that will float back to Asia through Prince Rupert. So the cotton came from Memphis and it goes to China and it goes to a particular community in China where they weave it into thread and then load containers full of thread to move it to yet another community that specializes in the weaving of the cloth. And then load the cloth into containers again to be moved to yet another community that specializes in the cutting and sewing and creating the shirt.

Meanwhile, containers of buttons have come from Indonesia where they are taking petroleum byproducts and forming the buttons and they will be joined to the shirts to be put in the containers to be shipped back through Prince Rupert to Chicago where they will be distributed into the heartland of the United States and put on store shelves.

Your cell phone is made that way. Your car is made that way. It is no longer a single assembly line. It is a world of interconnected specialization and raw resources and if you aren't on the corridor, you are not in that trade group, you are not in that economy. It's just that simple. So - want to give a map for context, we always talk about how close we are, but here we are. There's this

tiny little bit of open water that separates us and is a rather artificial boundary. Certainly from a First Nations or Native development point of view, a very artificial boundary that was put on there and we're that close together....

[11:03:04 AM](#)

This is Prince Rupert, Port Edwards' population, about 15,000 in the immediate service area when you include the Tsimshian communities, 22,000. If you go out and include the Charlottes and the larger area, 66,000, and you keep on going. This is what we're all talking about and the reason I'm doing this for you today is if I could take you to Prince Rupert I wouldn't have to do this presentation. I just want to give you a little taste of what you may not have seen in a little while.

This is the community of Prince Rupert, very much like Ketchikan. It is sandwiched between the mountains and the ocean. It sits up here. The rail bed that goes out into the North American marketplace, straight out of here and actually the most preferable grade through the Rockies anywhere on the West Coast of North America, comes through here. And then this is the terminal that's being converted, or largely has been converted, it's a rather old photo, into that facility. This is an artist's mock up of what it's going to be when it's up and running but the cranes, as you see over here, it's almost entirely intermodal. In other words, one of the reasons people said this container port would not work is we don't have much of a local market. You bring containers into Seattle or Vancouver or Long Beach and 30 to 40 percent of the containers are for local destinations in that marketplace and the others move on through. People said the reason we [indisc.] is because don't have a local marketplace. What's happened over the last decade is the local marketplace is actually so congested, Seattle, Vancouver, and Long Beach and other places, the communities located around those container ports are saying we don't want anymore trucks or trains coming through our communities. The mayor of Delta in Vancouver, where there is a container port is one of my greatest allies. She says I don't want one more container coming into my community. Will you please send them to Prince Rupert? That's what's happening down in those communities. This is largely intermodal.

Containers dock and within hours it's put on a crane and it's gone.

11:06:06 AM

Phase 1 is half a million TEU. If you talk about containers, some of you are in the shipping business and this is like the whole [indisc.] here, but a TEU is a twenty foot equivalent unit. That's how containers started - in 20 foot units. Now there are a number of sizes and not very many are 20 feet actually, but they still measure the capacity of vessels in 20 foot equivalent units. So we'll be half a million TEUs in the beginning, which is nice but, quite frankly, it's rather small on a world scale. Phase 2 will take us up to 1.5, a little over, 1.5 - they think they can squeeze more out of it. That takes us up roughly to the capacity of the four container ports in Vancouver today to give you a sense of the scale.

There's an opportunity for a terminal too, which would be a whole other container area within the harbor of Prince Rupert, which would take us into considerably larger volume for that. And this is what it's all about. When you stare at the maps you don't get it. When you stare at the globe you do.

Here's Chicago. Here's the Prince Rupert - Ketchikan area. There's Asia. If you take a string and dangle it over a map between Korea, between China, between India and Chicago, Memphis, any of those major hubs back there, you watch where that string rolls when you [indisc.] and it does not roll over LA and it doesn't even roll over Vancouver. It rolls up North, up here. This is the shortest possible route between those - shaving days off of ships [indisc.] and here is a graphic of exactly that, the red being Prince Rupert and the shipping times between these various ports, Singapore, Hong Kong, and the point is clear. This is the shortest possible shipping route.

That has generated other activities in our community. As you well know, the story of Rupert and Ketchikan are just so similar. We went through the closure of our pulp mill for slightly different reasons but we suffered the downturn that you suffered and I would argue that our downturn was longer and deeper and more substantial. As the mayor of a community and dealing with the social side of that and dealing with families and people literally crying in my

office asking me if now is the time to leave - it was really, really tough. This turnaround is bringing life into our community at all kinds of levels. We're seeing investments in our community from literally all over the world. People are arriving everyday with millions of dollars looking for investment opportunities within the community of Prince Rupert and the surrounding areas. One of those investment companies is actually represented here today and that is a gaming center or a casino that's now about a \$15 million build. For those of you that know the Crest Hotel, it sits right beside the Crest Hotel, one of the few casinos in the world that's going to have a gorgeous water view out over the harbor with incredible facilities so it's under construction. These pictures don't do it justice but come in a month and you'll get to see it properly....

It's attracted investors out of Calgary who want to do some big box format retail development. They've acquired some land. This is the schematic. They are going to probably be scratching toward the end of this year and so we're pretty excited about that investment.

We're seeing new residential construction. In Prince Rupert the only houses that have been built in the last decade are houses that were custom built for somebody who was building a dream house. That's not an economy. That's somebody that's lucky, right, or worked hard and is enjoying the fruit of their labors. That's not an economy.

[11:10:13 AM](#)

MAYOR POND continued:

What we're seeing now is companies coming in from out of town actually developing whole subdivisions so this is one of the early ones here. Anyway, we're seeing a huge presence of security. [Indisc.] Services hired 35 new officers, bringing the [indisc.] up to nearly 50 officers in Prince Rupert. The RCMP [Royal Canadian Mounted Police] are upping their presence, as are other agencies.

Now we know - and I've got to identify - I mean we'd be foolish not to recognize that there are challenges that have entered into the system of operating between British Columbia and Alaska that didn't exist when Southeast Conference was formed in 1963 and when we began this

venture. Safety of Life at Sea requirements that didn't exist back then. Actually that's a bit of a red herring but [indisc]. Old Canada and U.S. Customs issues that have become really intensified and, you know, I understand the dynamics of those as well, I think, as anybody.

The advanced ferry schedule wasn't actually in my talking points but I want to make a note on that just the same and that is this: when I first moved to Prince Rupert I got introduced to Alaska by a hotelier in Prince Rupert whose hotel was primarily built around the 1963 coming together of those two systems. He was in Alaska and active in Alaska all the time as a member of what was then the AVA [Alaska Visitors Association] and now the ATIA [Alaska Travel Industry Association] and we were active up here. That hotelier now spends zero percent of his time and energy on Alaska and it really has to do with a lot of decline in the system. One of the things that we were very successful as local communities lobbying BC Ferries is to say that if you want to sell tourists and get into the international marketplace, you must be able to tell them two years in advance what your sailing schedule is. It is absolutely impossible for a wholesaler in Germany to put brochures in the marketplace without knowing two years in advance when he's going to get on that vessel with his customers and BC Ferries have done that. In the absence of that, quite frankly, the tour market coming in and through our community, up into Alaska is dying, straight up. There is a fraction of the tourism [indisc.]. There are some other issues that have to do around scheduling and everything else but that's one of the issues I can see.

[11:12:57 AM](#)

MAYOR POND continued:

There are some tremendous opportunities in front of us. I want to say to you I think there are two things that jump out at me. One is this whole trade route, the commercial connection in transportation - what can you make in Alaska that might go into those containers that will go to China? JC is absolutely right. The marketplace with containers traveling back and forth kind of works like this. It's about 3 to 1. Andrew is here from the Port of Prince Rupert. He can answer all of the questions in the world. He is kind of specialized on doing business here with Alaska companies. But it's roughly 3 to 1. For every -

the containers are 100 percent full coming from Asia but about one-third to half of them are going back full. So guess what? The rates going back are about the third because people discount them to try and find products to move back in those empty containers. There are huge opportunities for fish and potentially timber products and other things that you can put in those cans and send back.

And then, of course, there's the opportunity to fly domestic goods into Alaska from that container port, from the Chicago heartland areas and others. And then, of course, there's the opportunity to send your finished products into the heart of the United States. So there are all these opportunities and that's all around the trade route.

But there's a second opportunity that I think that we have somewhat missed and that is your pipes, like our pipes on the BC ferry system, are full. The input opportunity is full. We are lobbying BC Ferries for daily ferry service because they run a vessel into Prince Rupert every second day. Through the summer it's full. Once it's full - once the car deck, in fact, is full, we have now capped out the number of visitors that can come on a circle tour into Prince Rupert. It doesn't matter how much marketing we do. It doesn't matter how many hotel rooms we have available and at what price. If a passenger can't get into the system, they can't experience what we have.

I know from talking up and down Southeast over the years that one of the visitor opportunities that Southeast has always felt was underrepresented is those people that stay overnight. You're doing a great job in the cruise industry but where are the people that are going to fill the hotel rooms, the restaurants? I was absolutely astonished, I've got to tell you, when with about a week's notice I was able to get 10 rooms in Kake in the middle of summer. I was absolutely astonished. That shouldn't be. It just shouldn't be. Yet if your pipeline is full, if the ferry out of Bellingham is full, if the ferry coming in out of Rupert is at capacity because of the schedule or whatever, then your ability to fill the ferry in Petersburg and your ability to fill your ferry anywhere else in your system - it's full. You capped it. Your ability to put people in hotel rooms and your ability to sell those extra meals after the cruise ships, it's all gone. In our case, I think we should widen the pipeline. I think we should

[indisc.] the pipe that actually feeds the system and then we wonder why the system is actually having some problems. Open up the pipe and the whole system starts to gain.

And so those are the opportunities. That's why I think that what's happening in our little neck of the woods matters to Alaska. Thank you for this opportunity to kind of paint that picture for you and, as I say, Andrew is here from the Port. ...The guys from the casino are here and they'll gladly book you down there and you also have the hotel in Prince Rupert so.... Anyway, if we can help with anything, let us know. That's really why we're here. Thank you.

CHAIR JOHANSEN thanked Mayor Pond and asked Captain Falvey to address the committee.

11:17:09 AM

JOHN FALVEY, Captain, General Manager, Marine Highway System (AMHS), Alaska Department of Transportation & Public Facilities (DOT&PF), stated the following:

I don't have a PowerPoint but what I would like to do is talk a little bit from a technical standpoint since I have a pretty good handle on how things go day by day, day in and day out, and the technical aspects of things. What I'd like to talk about is the Southern Gateway Shuttle project. I want to talk about that a little bit. We'll talk a little bit about SOLAS [Safety of Life at Sea] and then we can go from there.

I'd like to start by saying in November of 2004 the state commenced what is called a design study report for a Southern Gateway Shuttle. This was federally funded so there was a federal bidding process and Glosten and Associates, a very capable firm, they've actually done a lot of work for us. They designed the fast ferries. They won the bid and they commenced the design study report.

What a design study report does is it makes our recommended design recommendations - it doesn't actually come up with a drawing that you can bring to a shipyard and say go ahead and build the boat, but it comes up with a concept. It's a pretty detailed process. They take all kinds of things into account. This report is 60 or 70 pages long. They look at different vessel types, different vessels, maybe

two vessels going end to end, day boats, 24/7 boats, it goes on and on. It also provides the necessary preliminary engineering needed for environmental documentation. They develop a cost estimate. We have a rough cost estimate. They recommend the best acquisition type process to physically go out and purchase the boat.

Mayor Weinstein was correct in saying there was \$27 million of federal money in a pot. That money is no longer there. I guess what I can say is federal dollars - Shakkwak [Project] dollars [a highway construction funding accord between the United States and Canada] - it's very complex the way that money gets spent. I'm just going to leave it at that.

11:19:50 AM

CAPTAIN FALVEY continued:

Now, as I say, this process began in November of 2004. In May of 2005 Glosten did deliver to us a design study report. They came up with what we'd call a forward concept vessel. In essence, this vessel is, in their final analysis, after a lot of analysis, a steel hulled long, slender vessel. It's not a vessel that would need the horsepower, per se, to reach a speed of approximately 24 to 25 knots. That would allow us to run from the Ketchikan terminal to Prince Rupert as a day boat with a capacity for 250 people approximately, and 60 large Alaska standard vehicles. It also has got to have the capacity to handle vans, which there are quite a few of, because that's important. In July of 2006 this project became inactive. Probably we don't want to go into details on that but it became inactive due to a lack of activity with the project and money, funding sitting in that project pot. The Federal Highway [Administration] will not allow us to have a project that, in essence, sits inactive and money is not being spent on the project.

In February of 2007 I reactivated the project. There was a process we had to go through to reactivate the process. So the Southern Gateway Shuttle is back on the books. It's back on the rolls and, as of just a few days ago, the Federal Highway [Administration] folks talked to both myself and my director of engineering and indicated to us that you need to get some more money in the pot and you

need to start doing something or it can't stay active. So that's where we're at with the Southern Gateway [Shuttle].

I guess, logically, the first question that comes to my mind, being a technical guy here, is with the folks in this room and the thought process that will go on again after I get done talking, Is there some concept that this may not be the vessel we want? I think that to proceed ahead with the vessel we do want, we need to have pretty strong guidance from somewhere. We've heard about Metlakatla possibly being involved. This would not be the vessel to go on to Metlakatla, most likely. So I think we need to be very careful. We need to get some good solid guidance as to how we're going to go forward and then move forward. Very roughly, this is an \$80 million boat. That's a rough figure but those are the kind of figures that we're [indisc.]. That's a lot of money.

To go from where we are now, we probably need another \$1 million so we can actually draw a design that we can take to a shipyard [indisc.] build it. Then you'd probably be a few years away from actually building something. As far as new construction, what has happened is the hurricane that hit New Orleans did so much damage to marine vessels and barges and all of that, that the shipyards are facing backlogs. These companies that manufacture engines and provide parts and pieces for ships are really backlogged.

So that's what we have for the Southern Gateway [Shuttle]. I would say that technically we're going to need some guidance as to is this the boat for us because I've got on a piece of paper a concept of what it should be. It's pretty quick and pretty easy to physically design it. So that's step one.

[11:23:20 AM](#)

CAPTAIN FALVEY continued:

I guess the other thing I want to talk about is, as Mayor Pond had mentioned, is SOLAS. SOLAS is Safety of Life at Sea, it's international regulations, so these aren't United States or Canada's rules; these are international rules. Basically they are set in place for vessels going from one country to another calling on a foreign port. Where we are now is because these regulations are tiered regulations, we've been dealing with this for years, getting botched up

with it, and we continue to deal with it. It's very expensive. We make these modifications during our federal projects. During the CIP [Capital Improvement Project] federal overhauls, we do a little at a time.

So what I understand now is we've got three vessels that are SOLAS certified as we speak today - 2010 is not a big benchmark for us - the [MV] Matanuska and the [MV] Taku and the [MV] Kennecott. The Kennecott's in pretty good shape. She is a [indisc.]. When they built the Kennecott they knew that this was coming 2010 out in the future and prepared for that. So we're really, money wise, in pretty good shape with the Kennecott. As far as the Matanuska and the Taku are concerned, we are in the groove with that. We know what we have to do. I don't know whether I'll bore everybody with the different requirements. It's technical stuff. But, as far as the Matanuska is concerned, we need by 2010 to put another \$6 million or so into that boat just for SOLAS, let alone anything else that we might need to keep the boat running and believe me, the big federal projects are what keeps these boats running, not the state. [indisc.]. As far as the Taku is concerned, by 2010 we're looking at about 4.6 million. We have that money set in place and we are in the groove, we have a plan. We have a process to get the money and we know the money is going to be there.

So as far as we're concerned, those three boats with the money that I just mentioned will meet the 2010 SOLAS requirements. Now that's important because I would say technically, no matter how hard we push, we'd probably be hard-pressed to have a [Southern] Gateway Shuttle by 2010. That's only three years away. So we can't leave ourselves holding the bag with no boats [indisc.] at Prince Rupert. So, we've got that covered. There's a plan and that's what it's going to cost.

[11:26:26 AM](#)

As far as Prince Rupert itself, as the Mayor had mentioned, there are issues but none of these issues are insurmountable. We plan to move ahead and discuss a lot of these issues, things like the actual dock itself and transfer bridge. We need to talk about lease agreements, SOLAS, which I've just discussed. We've got that covered. Customs issues - that's a big one for us, probably for you too. That not only involves our crews coming and going out

of Canada but our batches. We need to talk about all of that. Captain [George] Capacci and I, being busy guys, have failed twice now to meet. George has attempted to come to Ketchikan twice but either his schedule or my schedule didn't dovetail and the idea behind that was to start some discussions on mutually sharing docking arrangements. So we are going to try to side bar today with Deputy Commissioner Hardy, Captain Capacci, and myself regarding that. We will start those talks and hopefully they'll be fruitful.

That's really about what I have. I want everybody to fully understand what the Southern Gateway [Shuttle] is. I think that if there's one direction this group needs to try to take us in, is what we have on paper now, conceptually, is this the way we're going to go? JC had mentioned South Mitkof. This boat could do something about that. You've got some draft problems there but this boat would be okay. So we need some good guidance. That's what we need. It's unfortunate that this project was swept but I got it back. It's back, it's there. I would say the biggest challenge is getting the money to build it. So, that's what I have. If there are questions, I'd be more than happy - I've got some more staff here too if I can't. I've got our accountant here and our ops engineer here so.

CHAIR JOHANSEN announced that he wanted to hold off on questions. He noted the House Transportation Standing Committee would be meeting in Juneau in January or early February [2008] and wanted members to start thinking about these issues between now and then.

CAPTAIN FALVEY repeated that DOT&PF has a very detailed report that provides a concept.

[11:29:39 AM](#)

CHAIR JOHANSEN asked participants to look at DOT&PF's report. He said the bottom line is to connect these communities. He asked the community leaders to communicate their needs and desires to Deputy Commissioner Hardy and Captain Falvey.

CAPTAIN FALVEY said he will not let the project die at this point.

[11:31:05 AM](#)

REPRESENTATIVE NEUMAN said he looks forward to working on this issue and doing what is necessary to help support the communities involved.

REPRESENTATIVE JOHNSON added that the Southern Gateway [Shuttle] is a very interesting concept.

REPRESENTATIVE DOOGAN said he is interested in seeing more details and has some sympathy for people who can see their neighbors but can't quite get to them, so he will be happy to look at this issue further.

The committee took an at-ease from [11:33:15 AM](#) to [11:33:15 AM](#).

CHAIR JOHANSEN called the meeting back to order and asked Mr. Miller to begin his presentation.

KENT MILLER, a private industrial economist, said he has worked on transportation projects over the years, beginning with container barge service in the 1960s. He said he would present a private sector option for addressing a portion of the market for passenger and vehicle ferry service between Ketchikan and Prince Rupert. He continued:

The logic of this project is that historically about half of the ferry traffic between Ketchikan and Prince Rupert has been local, that is between the two ports. About half has been long haul between Prince Rupert and ports [indisc.]. During the past 20 years, all components of marine highway traffic between Southeast Alaska and Ketchikan have declined very substantially, on the order of 50 percent. The Alaska Sea Road Project, which I'm proposing to develop, addresses local traffic that is between Ketchikan and Prince Rupert, specifically the portion of the local traffic that has been lost in the last 20 years. This is not intended to be a project that competes with any other development objectives. It is intended specifically to restore traffic that the existing [indisc.] no longer carries and to complement the marine highway main lines and service Metlakatla [indisc.].

As Mayor Pond said, when we talk about Prince Rupert, we're not talking about just the city. We're talking about a region. The sea road concept, addressing improved service between Ketchikan and Prince Rupert [indisc.] local region consisting of the Skeena and Nass Valleys and more extensively [indisc.] north into the Cassiar and addressing

the Cassiar physically with a connection to Hyder and Stewart. Beyond that, the sea road concept sees the need for a market for access to major transportation infrastructure at both Prince Rupert and Hyder and Stewart, mainly via rail and the Highway 16.

The concept for a passenger vehicle ferry service starts with a definition of service needs of the program. The boat doesn't exactly come first but, on the other hand, in presenting the concept of a passenger vehicle ferry, certainly the picture of the boat is worth many thousands of words.

[11:51:20 AM](#)

So, to make the presentation as brief as possible, this is the conceptual design for a vessel that would serve both Prince Rupert and Hyder's local passenger vehicle ferry needs. It's a less than 150 passenger boat. It would be certificated under 46 CFR subchapter (K). It would be a SOLAS vessel, capable of service between the U.S. and Canada. It has a capacity of under 150 passengers and 24 vehicles. Vehicles are defined as standard vehicles. The standard is the Ford Expedition, essentially, 17 foot 3 inch, six foot 8 [inches] wide, 5800 pound vehicle. That would be the average. These vehicles are accommodated on a car deck that is partly covered and partly open. The open section of the car deck aft is capable of carrying the largest personal use vehicles on the road today, typically Winnebago ... and Class A motor homes or a larger number of Class C vehicles, also motor homes or the equivalent small to medium truck. The passenger cabin is set up for, in this rendering in a very rudimentary way, as you can see [indisc.] definition of spaces, into a forward observation lounge, a central recliner lounge, and coffee shop, bar area with about 176 feet. There's the solarium on the top deck, which would have additional coverage but open air seating.

It's a conventional 173 foot long, 34 foot wide, steel 16 knot ferry. It's designed for economical construction and operation, construction on a budget less than \$8 million, well preceded for a [indisc.] operation with a day crew of four or five and, for extended operation over the longer day necessary for the trips it is programmed for with a double day crew of eight. The crew on a 100 ton boat, of

course, the crew operates the boat and provides passenger services, including food and beverage.

So, there's the vessel concept going on to really the more important features of the project, the definition of how the service would work. This is a summary of the service characteristics. Beginning in 2009, we would operate a 22 week season ending November 1. Its routing would be Sunday, Tuesday, Thursday, Prince Rupert and Ketchikan, and Monday, Wednesday, Friday, Hyder, Ketchikan, Rupert, and Saturday Prince Rupert, Ketchikan, Prince Rupert. Daily service between Ketchikan and the terminal at Prince Rupert and Hyder with four [indisc.] Prince Rupert and Hyder [indisc....]

So this doesn't include discounts, it doesn't include premiere fares for certain seasons or travel in certain travel markets but the average fare revenue would be about \$60 initially for a one-way passenger fare, and about \$130 for the standard Ford Expedition fare. And then for larger vehicles \$215, these would be vehicles of the Class C motor home size. Of course there would be lower fares for compacts and higher fares still for the very largest vehicles.

Prince Rupert and Hyder would be level rated, that is the fares would be the same even though the running distance is 50 percent greater to Hyder and there are incremental costs, such as fuel in particular. The service could nevertheless be optimized based on a quite intensive utilization of the vessel on these combined routings between Prince Rupert, Ketchikan, Hyder, and then back again.

[11:56:43 AM](#)

Looking at the time table for the service, the timetable is intended to provide daylight service between Ketchikan and Prince Rupert. It's a timetable that is the same for every trip. It repeats weekly through the 22 weeks and it's intended to interface with [Alaska] Marine Highway [System] service to Metlakatla and IFA service to and from Prince of Wales. Our view of Ketchikan is expensive too, considering the entire 20,000 population of the Ketchikan and Prince of Wales - the outer Ketchikan areas put together. The boat Sunday, Tuesday, Thursday would leave Prince Rupert, having overnights there at 7 AM, reach Ketchikan at 11:45 AM,

taking into account the time change, leaving again at 12:15 PM and arriving in Hyder at 10:00 PM. The next morning, having overnighted at Hyder, it would leave at 7:00 AM, arrive in Ketchikan at 2:45, leave Ketchikan at 3:15, and arrive at Rupert at 10. On Saturday it would make a trip only between Prince Rupert and Ketchikan, leaving Prince Rupert in the morning and following the same schedules north and back, just omitting the connection to Hyder, which it's not capable of doing in a single day.

The vessel, of course, is intended as a profit making project. It would have to make money under the criteria outlined and the business plan seems very promising of that. I promised ten minutes and I hope I haven't overrun so I'll be glad to answer questions when the time comes.

[11:58:41 AM](#)

CHAIR JOHANSEN remarked that Mr. Miller's point is that if options other than the AMHS are considered, other folks are interested in providing service. He suggested Mr. Miller contact Captain Falvey and reminded everyone that other options exist. He thanked participants for attending the meeting.

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 12:00 p.m.