

HOUSE FINANCE COMMITTEE
February 11, 2009
1:35 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Richard Foster
Representative Les Gara
Representative Mike Kelly

MEMBERS ABSENT

Representative Mike Hawker, Co-Chair
Representative Reggie Joule
Representative Woodie Salmon

ALSO PRESENT

Bill Sheffield, Port Director, Port of Anchorage; Marc VanDongen, Port Director, Port MacKenzie

PRESENT VIA TELECONFERENCE

None

SUMMARY

Overview and Update: Municipality of Anchorage - Port of Anchorage; Mat-Su Borough - Port MacKenzie

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BILL SHEFFIELD, PORT DIRECTOR, PORT OF ANCHORAGE, related details of a handout entitled "Port of Anchorage" (copy on file.) He began with page 3, the Economic Impact. He stated that the Port of Anchorage serves 85 percent of the population, providing 90 percent of consumer goods. The total economic impact is estimated at \$663 million. The freight activity at the Port contributes to \$137 million in household earnings and 4,142 jobs. Ninety-seven percent of freight shipments between Puget Sound and Alaska are waterborne. He observed that 46,000 jobs are directly

dependent on Alaska trade and shipping. The Port was classified as a Port of National Significance by the Department of Transportation - Maritime Administration.

Mr. Sheffield highlighted the map on page 4, which shows the regional and statewide importance of the transportation supply routes from the Port of Anchorage.

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Mr. Sheffield turned to page 5, the business at the Port of Anchorage. He gave examples of the types of businesses served by the Port.

Mr. Sheffield related the importance of the Port of Anchorage and the U.S. Military, as depicted on page 6. He described the method the military uses to transport equipment. Page 7 shows pictures of the Port as the supply hub for the U.S. Military in Alaska.

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Mr. Sheffield showed a film, "Port of Anchorage - A Mission of Service" that depicts the assets of the Port. The film described the mission and uses of the Port and emphasized the importance of the Port to the military.

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The film highlighted the expansion of the Port of Anchorage, which is now in its middle phase.

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Mr. Sheffield showed pages 9 - 12 of the handout, which depict the intermodal expansion project of the Port and showed the various phases of the expansion. He pointed out that \$20 million a year for six years has been requested. The Port of Authority's current request is for \$120 million in advanced funding to complete the project.

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Mr. Sheffield turned to construction costs and funding on pages 13 - 18. He showed expenses with and without the \$120 million funding in 2009. He listed the advantages realized with advanced funding such as contracts completed earlier and materials ordered in advance. He shared the Port's website where more information can be accessed.

Mr. Sheffield reiterated that the request is for \$120 million to finish the Port's construction. There is \$10 million currently in the capital budget for that purpose. He did not expect any funds from the Federal Stimulus

Package. He opined that seeking funding for the Port is an uphill battle.

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Representative Crawford asked how much would be saved by buying steel now for the projects. He also asked if the cruise ship initiative funds could be used for the Port expansion.

Mr. Sheffield observed that cruise ship initiative money could be accessed in the future since there is a plan to have a dedicated cruise ship space. He described the requirements to put a cruise ship dock in place. Addressing Representative Crawford's first question, Mr. Sheffield understood that steel prices have recently leveled off. He thought such a purchase might qualify for the Stimulus Package because steel is made in the U.S. He spoke of potential savings due to shipping methods.

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Representative Gara shared that he does not have a problem with the Port of Anchorage's need, but questioned the cost and the lack of fiscal support by the City of Anchorage. Mr. Sheffield reported that the funds consist of 50 percent federal, 25 percent state, and 25 percent port funds. Representative Gara reiterated that Anchorage has not contributed any money to the project. Mr. Sheffield agreed that Anchorage has not contributed funds.

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Representative Gara questioned if the state match was needed in order to receive federal funds. Mr. Sheffield said there is no required state match, but it is a good deal for the federal government because the state pays 25 percent and the port pays 25 percent. Representative Gara asked if a state match is required in order to get federal funds. Mr. Sheffield explained that a match is required on some monies such as for federal highways and that money is provided by the Port Authority.

Representative Gara recalled previous requests of \$10 million and \$20 million by the Port Authority; now the request is for \$180 million. He voiced concern about escalating costs. Mr. Sheffield returned to page 12 to show the difference between 2009 and 2010 construction costs and the stages needed to complete the project. He emphasized that forward funding makes sense due to the yearly increase in costs.

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Vice-Chair Thomas asked how many containers would be shipped. Mr. Sheffield replied that there would be about 2,000 containers a week. He explained that charges are by the ton. There is estimated to be a 1 percent increase in tonnage this year. Shipping grosses about \$14-\$15 million in revenue now, and by 2019, it will pull in about \$20 million a year.

Vice-Chair Thomas asked about revenue from haul back to Seattle. Mr. Sheffield reported that there was very little haul back; rental cars, military, or private shipping.

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Representative Foster thanked Mr. Sheffield for his presentation and said he is in favor of the project.

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MARC VANDONGEN, PORT DIRECTOR, PORT MACKENZIE, emphasized that he was not before the Committee to request funding. He stressed that the Ports create jobs and economic development in Alaska. He shared his background. He stated full support for the Port of Anchorage.

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Mr. VanDongen referred to a handout entitled, "Port MacKenzie - Gateway to the Matanuska-Susitna Borough" (copy on file.) He shared the Port's mission and vision - pages 1 and 2. He emphasized that Port MacKenzie is not in competition with the Port of Anchorage and has a different function. Port MacKenzie's mission is to develop a world class Alaskan deepwater port capable of safely and efficiently transporting people and commodities. The vision is to create new employment opportunities, stimulate economic development and establish a transportation link for exporting natural resources from the State of Alaska. He pointed out that the railroad is key to Port MacKenzie's development.

Mr. VanDongen reviewed the Port MacKenzie's main goals for regional improvement on pages 3 and 4. He began by listing the five initial goals: to construct utilities to the Port, to construct docks, to complete road improvements, to develop a year-round ferry system, and to construct a rail line from the Parks Highway to the Port.

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Co-Chair Stoltze asked the origin of the Port MacKenzie project. Mr. VanDongen related that in 1999, there was a \$7.2 million railroad grant for the development of Port MacKenzie. A road was put in and an initial barge dock was

built. That phase was completed for \$7.2 million. Next, a permit was acquired to construct the deep-draft dock. The state provided \$10 million for that \$14.7 million project. Then, a ferry terminal building was completed. Now, there is a permit on the Port MacKenzie side to build a ferry landing. Co-Chair Stoltze added that there were voter-approved bonds to support the project during the deep-draft dock phase.

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Mr. VanDongen returned to detailing goals 4 and 5 on page 3. He said that construction of a ferry vessel is in progress in Ketchikan, a permit for the ferry landing is in hand, and a permit for the ferry landing at Ship Creek has been applied for. An ice study is planned. The ferry should be running by November of 2010. A key goal is to construct the rail line from the Parks Highway to the Port.

Mr. VanDongen reported on the final three goals, which were recently added: to construct a rail loading facility at the Port; to construct a fuel tank farm and connect to Anchorage via pipeline; and to promote the creation of a petrochemical facility or LNG plant at Port MacKenzie. He emphasized the importance of the latter goal.

Co-Chair Stoltze asked how much acreage is available for the project. Mr. VanDongen clarified that 8,940 acres are available, which is a big advantage. He described the advantages of the Point MacKenzie project and lessons learned from experience.

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Mr. VanDongen turned to page 5, the Port District Boundaries. He pointed out the terminal moraine, which has sand and gravel available to mine, and he described how it would be developed. He emphasized that his project was not in competition with the Anchorage port. He showed where the rail would come in and where the Knik Arm Crossing was.

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Mr. VanDongen showed pictures of the barge dock on page 6, future expansion of the barge dock on page 7, and the barge at Port MacKenzie on page 8. He highlighted the deep-draft dock on page 9.

Mr. VanDongen showed the future expansion of the deep-draft dock on page 10.

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Mr. VanDongen discussed the Port MacKenzie markets on page 11. He highlighted both import and export products. Page 12 shows the Ferry Terminal Building.

Mr. VanDongen explained the design and function of the Cook Inlet Ferry on page 13. He showed pictures on page 14 of the Alaska Ship and Drydock in Ketchikan where the ferry will be constructed. Page 15 also illustrated construction of the ferry.

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Mr. VanDongen showed diagrams of the ferry landings at Port Mack and at Ship Creek on pages 16 - 19.

In response to a question from Co-Chair Stoltze, Mr. VanDongen explained the permitting process. He felt confident that a permit can be obtained for the Ship Creek Landing. He spoke of the cost of building a trestle and the timeline involved.

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Mr. VanDongen spoke of proposed road corridors and upgrades needed on page 20.

In response to a question by, Representative Gara, Mr. VanDongen highlighted the Burma and Knik/Goose Bay roads. The Burma Road has not been paved.

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Mr. VanDongen described the next steps to develop the rail line - page 21. He reviewed Page 22, "Projected Volumes of Natural Resources," which was compiled from Dr. Paul Metz's November 2007 report: Economic Analysis of Rail Link - Port MacKenzie to Willow, Alaska. He listed the annual tonnage of the various natural resources to be transported. He concluded his opinion that there is tremendous potential for new jobs due to the railway.

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Mr. VanDongen showed an artist's rendering of the Goose Creek Correctional Center on page 23. Representative Gara asked how it was named. Mr. VanDongen related the naming process.

Mr. VanDongen turned to page 24, current, new, and projected businesses related to the project. Pages 25 - 27 outlined the businesses of Alutiiq Manufacturing Contractors, and NPI. Page 28 showed the gravel excavation project. Page 29 illustrated the upgrade and paving project. Page 30 listed the benefits of Port MacKenzie.

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Mr. VanDongen showed pictures on pages 31 and 32 of ships in Cook Inlet and at the dock. The last page, 33, contained the Port MacKenzie logo.

Vice-Chair Thomas shared a personal story of a previous logging job. He wondered if there would be similar concerns with this project. Mr. VanDongen said there would not be because of stabilizing technology. Vice-Chair Thomas asked if ice would be a problem. Mr. VanDongen said it would not and listed prevention measures. Lines are doubled when there is ice. Two tugboats are also available to break up the ice. He stressed that Port MacKenzie has not had a single line snapped. He said extra precautions would be taken.

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Representative Gara asked if the Mat-Su Borough has contributed to the funding of the project. Mr. VanDongen explained that the Borough of Anchorage contributed \$1.7 million toward the deep draft dock; and the mill rate funds the Port's annual operating budget. He stressed that it only took five years for the Port to come into the black (compared to six years for the Port of Anchorage). He felt the Port would be self sufficient once the route comes on line. Representative Gara thought it important that the local government contribute to the project. Co-Chair Stoltze invited legislators to hear more about the project.

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Co-Chair Stoltze termed the project a "success tale".

Representative Foster thanked Mr. VanDongen for his military service and hard work. Mr. VanDongen saw the project as a regional benefit.

Representative Kelly asked when the rail connection would be complete. Mr. VanDongen explained that it could be done by the end of 2012, subject to funding. Representative Kelly asked if it was a railroad project. Mr. VanDongen reported that it was a borough project that would be turned over to the railroad to operate. Representative Kelly inquired how much has been spent on the total physical plant. Mr. VanDongen said that about \$25 million has been spent.

Representative Kelly asked if any problems were anticipated with the ferry. Mr. VanDongen thought that eventually there would be a second ferry for backup purposes. Representative Kelly asked if the ferry would be for passenger vehicles and how much time would be saved. Mr. VanDongen said that once the Burma Road is upgraded and paved, it would be used for

vehicles, and would save about an hour on the North/South route.

Representative Kelly wondered if the city of Anchorage was putting pressure on the Port regarding getting traffic to the takeoff point on the south. Mr. VanDongen had not had discussions regarding the issue, but didn't see it as a problem. He observed they would schedule the ferry truck use during off hours. Representative Kelly asked how long the Burma Road was and when it would be done. Mr. VanDongen said it was about 7.5 miles, plus a bypass, and would cost roughly \$45 million, but he could not project when it would be done. Representative Kelly asked if more money would be needed. Mr. VanDongen said he is not requesting any funds.

ADJOURNMENT

The meeting was adjourned at 3:14 PM.