

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM**

March 31, 2011

8:13 a.m.

MEMBERS PRESENT

HOUSE COMMUNITY AND REGIONAL AFFAIRS

Representative Neal Foster, Vice Chair
Representative Alan Austerman
Representative Alan Dick
Representative Sharon Cissna
Representative Berta Gardner

HOUSE ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE AND TOURISM

Representative Bob Herron, Chair
Representative Neal Foster
Representative Steve Thompson
Representative Berta Gardner
Representative Chris Tuck

MEMBERS ABSENT

HOUSE COMMUNITY AND REGIONAL AFFAIRS

Representative Cathy Engstrom Munoz, Chair
Representative Dan Saddler

HOUSE ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE AND TOURISM

Representative Kurt Olson, Vice Chair
Representative Reggie Joule
Representative Wes Keller
Representative Cathy Engstrom Munoz

OTHER LEGISLATORS PRESENT

Representative Bill Stoltze
Senator Linda Menard

COMMITTEE CALENDAR

PRESENTATION: PORT MACKENZIE RAIL EXTENSION PROJECT

- HEARD

PRESENTATION: ALASKA'S ROLE IN THE GLOBAL MARKETPLACE

- HEARD

PRESENTATION: COASTAL VILLAGES CDQ FLEET HOMEPORT MOVE FROM SEATTLE TO SEWARD

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

LARRY DE VILBISS, Mayor
Matanuska-Susitna Borough
Palmer, Alaska

POSITION STATEMENT: Provided introductory remarks regarding the Port MacKenzie Rail Extension Project.

RICK MYSTROM, Project Consultant
Matanuska-Susitna Borough
Anchorage, Alaska

POSITION STATEMENT: Provided a presentation regarding the Port MacKenzie Rail Extension Project.

ELIZABETH GRAY, Acting Borough Manager
Matanuska-Susitna Borough
Palmer, Alaska

POSITION STATEMENT: Provided remarks regarding the Port MacKenzie Rail Extension Project.

GREG WOLF, Executive Director
World Trade Center Alaska;
Consultant, U.S. Department of Commerce
Anchorage, Alaska

POSITION STATEMENT: Provided a presentation regarding Alaska's role in the global marketplace.

WILLARD DUNHAM, Mayor
City of Seward
Seward, Alaska

POSITION STATEMENT: Provided introductory remarks to the presentation of the request to move the home ports of the CDQ fishing fleets from Seattle to Alaska.

PHILLIP OATES, City Manager
City of Seward
Seward, Alaska

POSITION STATEMENT: Provided a presentation of the request to move the home ports of the CDQ fishing fleets from Seattle to Alaska.

DAWSON HOOVER, Program Manager
Coastal Villages Region Fund
Seattle, Washington

POSITION STATEMENT: Indicated CVRF's desire to keep its shallow and deep water fleets in Alaska.

ACTION NARRATIVE

[8:13:44 AM](#)

CHAIR BOB HERRON called the joint meeting of the House Community and Regional Affairs Standing Committee and the House Special Committee on Economic Development, International Trade and Tourism to order at 8:13 a.m. Representatives Austerman, Foster, Dick, Thompson, Cissna (via teleconference), Gardner, Tuck, and Herron were present at the call to order. Also in attendance were Representative Stoltze and Senator Menard.

Presentation: Port MacKenzie Rail Extension Project

[8:14:21 AM](#)

CHAIR HERRON announced that the first order of business would be a presentation regarding the Port MacKenzie Rail Extension Project.

[8:15:24 AM](#)

LARRY DE VILBISS, Mayor, Matanuska-Susitna Borough, began by relating that it's an exciting time in the Matanuska-Susitna Borough as many projects that have been in the works for some time are coming to fruition. He recalled that over 10 years ago the concept of a deep water port to be served by a bulk commodity rail extension tied into the existing [rail] system was conceived. The system was to serve the entire Interior

region of the state. He then thanked [the legislature and the governor] for their support of the aforementioned project. Currently, the ground work for the portion of the rail and road system that's in the port is being performed. The conveyor and loading system at the dock is in place. In fact, Cape-sized vessels have already been loaded out of the dock.

[8:17:29 AM](#)

RICK MYSTROM, Project Consultant, Matanuska-Susitna Borough, thanked the House and Senate members for their support [of the Port MacKenzie Rail Extension] project last year, particularly the support from the House members who really made the project happen. Drawing from his 30 years of experience with purchasing real estate in Alaska, he characterized the Port MacKenzie Rail Extension as an economic development project that will open the Interior to resource development. Mr. Mystrom then turned to the presentation entitled "Port MacKenzie Rail Extension - Economic Benefits to the Alaska Economy." He directed attention to slide 2 entitled "Alaska's Uncertain Economy," which relates that there is uncertainty about the gasline construction, energy availability and costs, the Trans-Alaska Pipeline System (TAPS), and Small Business Administration contracting program for Native business. There is also uncertainty about the exploration permits for the Chukchi and Beaufort Seas. Shell has been stopped over seven different times over the course of three years, although it has invested \$3.5 billion in exploring in the Beaufort and Chukchi Seas. He then emphasized that there is certainty with regard to a lack of diversification of Alaska's economy and a lack of transportation infrastructure to promote economic development. The Port MacKenzie Rail Extension is a major solution to the aforementioned problems. He then directed attention to slide 6, which illustrates the recently selected route of the extension along which are found some of the largest deposits of various resources as illustrated on slide 7. For example, in Livengood there is a limestone deposit that would provide 15 percent of America's cement for 200 years. However, at this point it can't reach the market. Therefore, the goal is to take the [various resources] from the Interior along the rail line down to Port MacKenzie. He then directed attention to slide 8, which denotes the various prospects along the proposed railway. Moving on to slide 9 entitled "What the Rail Extension means to Alaska's economy," he reiterated that the Rail Extension would open the Interior to resource development. He related that he has been told by many in China that they would buy Alaska's resources if they could be transported to them. Simultaneously, the Rail Extension would create a development

corridor along the Railbelt for exploration and extraction of the strategic minerals of lead, zinc, copper, molybdenum, and silver. Molybdenum is the main component of steel made from iron ore. The Rail Extension would also facilitate the development of a world class limestone deposit between Livengood and Fairbanks. As mentioned earlier, that deposit can produce enough limestone for 15 percent of America's cement needs for the next 200 years plus all the cement necessary for the Susitna Dam. The construction of the Susitna Dam requires access to that cement. The Rail Extension facilitates the development of a cement production facility in or near Fairbanks. Moreover, the Rail Extension dramatically improves the world competitiveness of Alaska coal. He noted that for exports transportation is very important as evidenced at a recent seminar where it was highlighted that "exports are transportation, transportation is exports." The Rail Extension would also significantly reduce transportation and staging costs for the Alaska Gas Pipeline construction. Exxon met with Matanuska-Susitna Borough staff and has related that an estimated \$100 million would be saved in the construction costs of the gasline, if the Rail Extension to Port MacKenzie was constructed. Furthermore, the Rail Extension would dramatically increase employment in the Matanuska-Susitna Borough, the Denali Borough, the Fairbanks North Star Borough, and Anchorage.

[8:25:52 AM](#)

MR. MYSTROM, referring to slide 11 entitled "Port MacKenzie and the Rail Extension working together," informed the committee that Port MacKenzie is a bulk commodities port for the export of minerals, cement, and coal. The port also provides for the import, storage, and staging of bulk fuel and pipe as well as all the product necessary for the Susitna Dam project. Therefore, if the Susitna Dam project moves forward the [port] would provide the cement and the heavy equipment necessary for the Susitna Dam project. He then emphasized that Port MacKenzie is not a consumer goods or container port like the Port of Anchorage, rather it's an aggregate port. Port MacKenzie is a deep water port with a 60-foot mean low tide as opposed to the 39-foot mean low tide for the Port of Anchorage. A deeper port is necessary for larger vessels, such as Panamax and Cape-size vessels, that can't enter the Port of Anchorage. Panamax vessels are the largest vessels that can fit through the Panama Canal whereas the Cape-size vessels are too large to fit through the Panama Canal and thus must travel around the Cape of Good Hope or Cape Horn. He related that the vessel JP Azure was loaded in Seward, at 90 percent capacity, and then sailed into

Port MacKenzie, took on the last 10 percent of capacity, and sailed out with no problems. Referring to the map on slide 13, he highlighted that surrounding Port MacKenzie there are 14 square miles of industrial land that is owned by the Matanuska-Susitna Borough, save one parcel owned by the University of Alaska Trust that wants the same development as the borough. That land is the industrial future of Southcentral and to some degree the southern part of the Interior of Alaska. Slide 14 is a photograph of the barge dock that was finished this summer as well as the ferry terminal for the ferry that will hopefully run between Port MacKenzie and Anchorage, Port MacKenzie and Kenai, and Port MacKenzie and Tyonek. He noted that [the dock] can hold about 40 Sport Utility Vehicles (SUVs) and it has been approved for expansion. The key part of the port is the rail loop, which is illustrated on slide 15. The proposed rail loop is a 110 car rail loop, which allows unloading at Port MacKenzie without uncoupling/unhitching or backing up. There will be a conveyor belt from the rail loop to the dock, and therefore it's a very efficient setup. Referring to slides 16-18, he reviewed the work going on the barge dock. He then turned to the work on the road beds, which is where most of the work is being done. He noted that most of the contracts are coming in under bid because of the economy. Furthermore, the project is on schedule and under budget. Referring to slide 20, he informed the committees that the first thing to be built in railroads is the road bed. In this case, the road bed is for both rail and truck and it connects to the main highway. He highlighted how large the rail bed is by showing a full-size semi-truck driving on it.

[8:32:50 AM](#)

MR. MYSTROM moving on to slide 21 entitled "Advantages of Rail to Part Mac," related the following advantages:

- Shorter rail distance to tidewater for mineral exports
- Only Alaska port with 100 rail car loop
- Efficient product transfer from train to ship
- Avoids most congested portion of the Alaska RR mainline
- Deep draft port that operates year-round
- 14 square miles of industrial area
- Will make Alaska's minerals more competitive on the world market (molybdenum, copper, lead, zinc, coal)
- Port MacKenzie Rail Extension is a great opportunity to grow our export economy

MR. MYSTROM noted that the Alaska Railroad and Usibelli have said that both the Port of Seward and Point MacKenzie are necessary and will support each other. The Point MacKenzie Rail Extension provides a great opportunity to grow Alaska's export economy. Referring to the graph on slide 24, he highlighted that in 2009 Alaska's export economy was \$3.3 billion while it rose to \$4.1 billion in 2010. The decrease in Alaska's total exports in 2008 and 2009 is a reflection of the world economy. He then referred to the pie chart on slide 25 that relates what materials the state exports and the percentage that material is of the state's total exports. He highlighted that 50 percent of the state's total exports are seafood, but also pointed out that the area of seafood doesn't have the ability to expand dramatically. However, minerals, which make up 26 percent of the state's total exports, have the most ability to dramatically expand. The state's largest customer is Japan; 55 percent of what Japan buys from Alaska is seafood. Although only 14 percent of Alaska's exports to Japan are minerals, he expected Japan will buy more as it's a resource poor country. Alaska's second largest customer, soon to be the state's largest customer, is China. The largest Alaska export to China is seafood, while only 15 percent of Alaska's exports to China are minerals. Although China has the resources, much of the interior of China is undeveloped and it's much cheaper for China to buy Alaska's minerals rather than develop their interior. The state's third largest customer is Korea with 35 percent of its exports from Alaska being minerals. Still, Korea has a continuing need for mineral exports. He then directed attention to the map on slide 29, which illustrates that the closest port to the aforementioned countries is Point MacKenzie. If Alaska is able to build Point MacKenzie, the Western U.S. can't compete in terms of selling the aforementioned [exports] to the countries mentioned. He then referred to slide 31, which again points out the various mineral deposits along the path to Port MacKenzie that can then be moved to the foreign ports.

[8:39:41 AM](#)

MR. MYSTROM, referring to slide 33, informed the committee that the rail extension and Port MacKenzie expansion would create an estimated 3,000 direct, indirect, and induced jobs from construction during the construction phase. The aforementioned estimate is based on studies by HDR and the Institute for Social

& Economic Research (ISER). More importantly, they estimate there will be 4,000 long-term, permanent jobs created by private development. He clarified that the long-term jobs estimate is for jobs that will be around 15 years from now. Furthermore, the industrial development of Port MacKenzie will result in an estimated 3,500 jobs. Regarding the rail extension, he moved on to slide 35 and informed the committee that the environmental impact study (EIS), at a cost of \$10 million, was recently completed. The construction of the truck route and rail loop, funding for which - \$17 million - was approved by the House two years ago, is occurring. The beginning construction of the rail extension, \$35 million, was just approved and thus the road bed will be continued. The aforementioned funding was approved by the House. He reminded the committees that [last year] the House approved \$57 million of which the governor vetoed \$22 million. Therefore, the project had \$35 million left, which will be used to keep the project moving forward this summer. This year, the desire is to continue construction of the rail extension, which amounts to \$55 million. Those funds will be for the work to be performed the summer after this upcoming summer. Once the funds are approved, bids will be let with an estimated completion by the summer of 2012. The railbed to the Alaska mainline is desired to be complete by 2013 at a cost of \$63 million while laying the rail and completing the rail extension by 2014 would cost about \$43 million. In conclusion, Mr. Mystrom thanked the legislature [funding/supporting] all the work on the Point MacKenzie Rail Extension Project to reach the point at which it is now.

[8:42:51 AM](#)

ELIZABETH GRAY, Acting Borough Manager, Matanuska-Susitna Borough, also thanked the legislature for its past and continued support of this project. As illustrated [by the prior testimony], the Port MacKenzie Rail Extension Project will be a tremendous economic development impact to the Matanuska-Susitna Borough as well as statewide. Since the EIS has been finalized, the project can proceed forward. Of interest, Ms. Gray informed the committees that the Alaska State Chamber of Commerce lists this project as the state's top infrastructure priority. According to ISER, nearly \$1 billion over 100 years will be the value of the mineral production. Furthermore, the state revenues are estimated to reach \$300 million annually in taxes, royalties, and fees.

[8:44:19 AM](#)

SENATOR MENARD echoed earlier testimony regarding the need to remember that this project is for the entire state, not just the Matanuska-Susitna Borough. She characterized the project as a legacy for the state.

8:45:10 AM

REPRESENTATIVE AUSTERMAN asked if the Alaska Industrial Development and Export Authority (AIDEA) is involved in this project.

MR. MYSTROM replied no. He explained that AIDEA can become involved when there is a single large customer that can pay off a bond from AIDEA. The aforementioned isn't the case with this project, which he likened to the construction of the Parks Highway. Therefore, it's a project that has to be done by the government to allow/facilitate private sector development and economic development.

8:46:39 AM

CHAIR HERRON noted that HB 119, which is under consideration in the Senate, may allow AIDEA to be a partial funding source for the project.

8:46:53 AM

REPRESENTATIVE TUCK opined that the funding provided for the project will greatly benefit the state, not just the Matanuska-Susitna Borough. He related that he has always promoted Point MacKenzie as the future industrial park of Alaska. However, he said he didn't believe 14 square miles is enough. He opined that the largest facilities should be built next to the port. In fact, he suggested that the large rail crane buildings should be built [on the site] in order to be able to manufacture what's desired. Water, he pointed out, is still the cheapest mode of transportation with rail following just behind. Therefore, the project offers the best of both. He recalled when he was on the Ted Stevens Anchorage International Airport Planning Commission Point MacKenzie was considered because the airport has no room for expansion for air freight. He then suggested that at the port there should be more industry, manufacturing, and value-added activities. Representative Tuck related his belief that Port MacKenzie is the future port of Alaska. He then asked if there has been any discussion of a joint port authority so that planning occurs in terms of what's best for the state overall.

MR. MYSTROM related his vision that Port MacKenzie and the Port of Anchorage should be sister ports, and perhaps even be operated by one port commission.

MAYOR DEVILBISS interjected that the notion is that the Port MacKenzie commission will grow into a port authority, at which time the aforementioned could be considered.

[8:50:37 AM](#)

REPRESENTATIVE GARDNER inquired as to how the state's seafood exports would work in terms of competition between the two ports.

MR. MYSTROM offered his belief that there are no plans for Port MacKenzie to be used for seafood exports.

[8:51:17 AM](#)

The committee took an at-ease from 8:51 a.m. to 8:55 a.m.

Presentation: Alaska's Role in the Global Marketplace

[8:55:06 AM](#)

CHAIR HERRON announced that the next order of business would be a presentation regarding Alaska's role in the global marketplace.

[8:55:08 AM](#)

GREG WOLF, Executive Director, World Trade Center Alaska; Consultant, U.S. Department of Commerce, began by informing the committees that the earlier mentioned export industries bring about \$6 billion worth of economic value to Alaska and account for about 25,000 direct and indirect jobs. Therefore, international trade is big business for Alaska. For 2009, the annual worldwide exports totaled \$3.3 billion, which was down slightly due to the economic recession globally. Still, that represents 8-10 percent of Alaska's gross state product (GSP), which he likened to the gross domestic product (GDP) for the nation. The GSP is the sum of all goods and services produced in a state in a given year. Mr. Wolf emphasized that exports are important because they bring new money into the economy. The overall result of exports for Alaska is a stronger and more diversified economy. Referring to the slide entitled "Why Trade Matters?", Mr. Wolf emphasized that the export total doesn't

include the export of services from Alaska, such as construction, engineering, oil and gas field services, environmental, and transportation. The numbers presented today only account for commodity exports because the U.S. Department of Commerce hasn't yet developed a system for tracking and recording export services. However, for Alaska and other states it's a rapidly growing part of the economy and could be as much as an additional \$1 billion in service exports. He related that exports bring in about \$4 billion of new money into Alaska's economy. A recent study by Northern Economics estimates export industries generate nearly \$2 billion in induced and indirect economic benefits. Therefore, the export industry generates about \$6 billion in economic value in Alaska. Furthermore, export jobs are relatively high paying jobs with their typical pay being 13-16 percent more than jobs tied solely to the domestic economy. Moreover, exports allow companies to become larger through expanded markets and customer base. With a population of only 700,000 in Alaska, companies seeking growth have to seek it from markets outside of Alaska, including the Lower 48 and/or overseas. Moving on to the slide entitled "How We Rank?", Mr. Wolf informed the committee that overall Alaska ranks about 40th as an export state. That ranking isn't bad when one considers that the exports are being generated by 700,000 people. However, the charts on the aforementioned slide illustrate that exports are more important for Alaska than other states. For example, Alaska ranks 27th in terms of exports as a percentage of the GSP while the state ranks 6th in the nation in terms of exports on a per capita basis. Therefore, exports mean more to the everyday Alaskan than they would to the residents of other states. Still, during the global decline in exports, Alaska fared well in comparison to other states. Alaska's export value dropped an average of 8.8 percent, while the average state experienced a decrease of 18 percent. Alaska was more resilient, which he attributed partially to the state's commodity exports.

[9:00:49 AM](#)

MR. WOLF then directed attention to the slide entitled "Highlights from The Economic Impact of International Trade Exports on the Alaskan Economy prepared by Northern Economics (July 2010)". He reviewed the following highlights:

- In 2009, Alaska's exports to overseas markets totaled \$3.3 billion.
- In 2009, Alaska ranked sixth in the nation by value of exports on a per capita basis.

- Exports represented 7.4 percent of the state's economy in 2008.
- Although exports suffered nationwide in the recent recession, Alaska's exports value dropped by only 8.8 percent from 2008-2009, beating the national average by 10 percent.
- Exports supported nearly 15,000 direct and 9,800 indirect and induced jobs in Alaska in 2008.
- Alaska's exports sector generated more than \$5.5 billion in total economic output.
- Each year more than half of Alaskan seafood production is sent overseas.
- Of Alaska's average coal production of 1.5 million tons per year, approximately 40 percent was shipped to overseas customers.

MR. WOLF then turned to the slide entitled "Alaska's Top Export Commodities (January - October 2010)," which has a pie chart that relates that seafood remains the state's single largest commodity export. The state's second largest export is minerals, which are lead and zinc that are mainly extracted from the Red Dog Mine. The third largest export is energy, liquefied natural gas (LNG) from Nikiski and coal exports from Usibelli. Alaska's top export commodities illustrate that Alaska is a resource driven export economy. Moving on to the slide entitled "Alaska's Top Ten Export Markets," he echoed earlier statements that Japan remains Alaska's single largest customer. However, that's beginning to change as China replaces Korea as the state's second largest export customer, and Korea becomes the state's third largest export customer. Alaska's fourth largest export customer is Canada. There is also a group of European customers who tend to purchase a single commodity in comparison to Asian customers who tend to purchase some of everything. For example, Belgium purchases only zinc and lead from Alaska. He continued with the slide entitled "Alaska Worldwide Exports," which presents a chart that relates Alaska's worldwide exports from 1994 to 2010. The chart reveals that for almost a decade Alaska was in the \$2.5 billion to \$2.7 billion range. However, as natural resource prices increased, Alaska's worldwide exports resulted in peaks of \$4 billion in 2006 and 2007, decreased in 2008 and 2009 during the recession, and then increased to an all-time record export year with \$4.2 billion. He then directed attention to the chart on the slide entitled "Alaska's Exports to China," which illustrates about a 10-fold increase in exports from Alaska to China. He emphasized that Alaska has never experienced export market growth as rapidly as the China market

and he didn't see why it wouldn't continue to grow. Furthermore, he predicted that Chinese companies will become interested in becoming a partner in economic development and resource development projects in Alaska by investing in those projects. Several signs of this have occurred, including when a China oil company made a bid to build the gas pipeline during the Alaska Gasline Inducement Act (AGIA) process. More recently, two years ago China Investment Corp invested in Tech Resources, which is the operator of the Red Dog Mine in Alaska, and has become a part owner in the project. Moreover, 50 percent of the output of the Kensington Mine is being sold to China National Gold Corp. The aforementioned is the first ever deal between an American precious metal company and a state-owned Chinese company. Although neither of the aforementioned are direct investments in Alaska, there is interest in investment from China in the new Greenfield projects being considered for Alaska.

[9:08:33 AM](#)

MR. WOLF, in response to Representative Austerman, clarified that Alaska's single largest export to China is seafood, but they are also a buyer of forest and mineral products.

[9:09:15 AM](#)

MR. WOLF, continuing his presentation, directed attention to the slide entitled "Overarching Trends That Benefit Alaskan Exports," which he identified as follows:

- Growth in emerging market consumer class
More people, with higher expectations, and more money to spend (they want what we have) and increasingly have the ability to obtain these things. According to Standard Chartered, close to 5 billion people will live in cities by 2030, compared to 3.4 billion now. An equally significant increase in the size of the global "middle class" will see the number of these consumers growing from 1.8 billion people today to about 5 billion in 2030.
- Resource Scarcity
Growth in populations and wealth are outpacing development of energy, food, and other vital staples of modern living. Alaska is fortunate to be an exporter of natural resources that the world needs for economic development.
- Decline of U.S. Dollar
Continuing dollar weakness translates into higher commodity prices and the ability of our partners to buy more from us

(as their currencies strengthen). Alaska's export industries benefit when our customers have strong economies and strong currencies.

MR. WOLF moved on to the slide entitled "Why Emerging Markets?" that provides a matrix put together by U.S. Global Investors. Although the matrix was originally developed for investors, the causes, effects, and ramifications apply to Alaska. He opined that the trends with emerging markets will serve Alaska well now and into the future. He then directed attention to the chart on the slide entitled "'Chindia' Natural Gas Consumption," which combines China and India's natural gas consumption for the past 24 years. The chart relates a continued increase in natural gas consumption of China and India as there is tremendous demand in emerging markets for natural gas. Referring to the slide entitled "China's Top Energy Deals of 2010," he explained that the slide relates the top energy investments of China in 2010. As the slide illustrates, China is investing globally. He opined that anywhere there is an abundance of natural resources, one will find Chinese buyers and investors, including the U.S. The next slide entitled "China Invests in Lower 48 Shale Gas" relates the recent investments. In October 2010, the Chinese National Offshore Oil Corporation (CNOOC) invested about \$2.1 billion in shale gas leases in Texas from Chesapeake Energy Corporation. China, he noted, is also committing money for drilling and completion. In January 2011, CNOOC made a further investment with Chesapeake Energy Corporation in the amount of \$1 billion into the lease purchases as well as for the cost of drilling and completion. He reminded the committees that in 1995 [CNOOC] attempted to purchase Unocal, but amidst a flurry of protests and concern the purchase never went through. However, so far China has invested almost \$4 billion in natural gas in the Lower 48.

9:14:40 AM

MR. WOLF informed the committees that at the World Trade Center there are about five trade development programs, most of which are focused on a particular country. There are programs that focus on Japan, Korea, China, and Canada. There is also a program known as "New Markets New Customers," which aims to determine which countries will be Alaska's future markets. The country of India has been identified as one of Alaska's future markets. India has many of the characteristics that China had 20 years ago, including a large population, enormous infrastructure needs, and a rapidly growing economy. A couple

of months ago the first Alaska trade mission to India occurred, and the Alaskan group was well received. India has tremendous needs in terms of energy and natural resources, in general.

[9:16:36 AM](#)

CHAIR HERRON interjected that many of the committee members would like to help with all the overseas markets.

MR. WOLF said he feels it's important that public officials see these markets for themselves and relate to others the opportunities. Therefore, he encouraged committee members to join the World Trade Center efforts in the year ahead.

[9:17:20 AM](#)

REPRESENTATIVE AUSTERMAN, referring to the earlier pie chart that related Alaska's top export commodity is seafood at 44 percent, inquired as to how that percentage was derived.

MR. WOLF answered that the numbers come from the U.S. Census Bureau, U.S. Department of Commerce. He explained that for export commodities there are export declarations from the exporter who declares the value of the exports. The seafood numbers for Alaska have likely been underreported because a sizable amount of seafood caught in Alaska is immediately shipped to Seattle and then it's ultimately counted as a Washington State export rather than an Alaska export.

[9:19:08 AM](#)

MR. WOLF, concluding his presentation, referred to the slide entitled "2011 Trade Outlook." He opined that the trade outlook for 2011 will depend heavily on commodity prices as that what Alaska exports. The increases in the export markets have, by and large, been attributable to Alaska receiving more for the export. However, he did acknowledge that there have been some new exports. He mentioned that it's important to watch inflation rates in markets where Alaska exports, such as China. Since the governments of these countries may feel they're growing too fast and experiencing inflation, they may try to slow the growth by increasing the interest rates, changing the lending requirements to make it more difficult to borrow. The aforementioned may impact Alaska exports. For the trade outlook, one always watches the dollar because a weaker dollar makes U.S. exports relatively cheaper. Overall, he predicted that at the year's end Alaska exports will be at the \$4.2-\$4.3

billion level, which will be at or near-record levels historically.

[9:21:24 AM](#)

REPRESENTATIVE THOMPSON inquired as to the impact of the closure of the LNG plant in Nikiski on exports.

MR. WOLF predicted that the state will lose several hundred million in the LNG exports, which have been occurring since 1969. The aforementioned will be a significant impact.

[9:22:19 AM](#)

CHAIR HERRON and REPRESENTATIVE GARDNER thanked Mr. Wolf for his work and presentation.

[9:22:54 AM](#)

MR. WOLF thanked the legislature for its strong support of exports, the World Trade Center, and the international trade community in general.

[9:23:29 AM](#)

The committee took an at-ease from 9:23 a.m. to 9:26 a.m.

Presentation: Coastal Villages CDQ Fleet Homeport Move from Seattle to Seward

[9:26:08 AM](#)

CHAIR HERRON announced that the final order of business would be the presentation regarding the coastal villages community development quota (CDQ) fleet homeport move from Seattle to Seward.

[9:26:26 AM](#)

WILLARD DUNHAM, Mayor, City of Seward, related that Seward has received a request from the Coastal Villages Region Fund (CVRF) to relocate the home ports of the CDQ fishing fleets from Seattle to Alaska.

[9:27:49 AM](#)

CHAIR HERRON noted that he has distributed a draft resolution from Representative Seaton, which he intends to sign on as a co-sponsor.

[9:28:17 AM](#)

PHILLIP OATES, City Manager, City of Seward, showed a video put together by CVRF regarding its request and support of the effort to relocate the home ports of the CDQ fishing fleets from Seattle to Alaska.

[9:34:36 AM](#)

CHAIR HERRON noted that he and Representative Foster represent the impacted communities.

[9:34:51 AM](#)

MR. OATES characterized this request as a historic opportunity, particularly since Alaska and its resources have long been taken advantage of by those who aren't Alaskans and who have taken the profits elsewhere. The Magnusson-Stevens Fisheries Conservation and Management Act began to address the aforementioned as one of its goals was to Americanize the U.S. fishing fleet that heretofore had been dominated by foreign vessels. The aforementioned began in 1970. Secondly, the Act gave some fish quotas to the communities surrounding prime fishing areas, which led in the 1990s to the establishment of the CDQ groups. Another goal of the Act, he related, was to reinvest the earnings back into the industry in that area of Alaska as well as "Alaskanize" the fishing fleet. The later goal is the point at which the Act is now and why this proposal is before the committees.

MR. OATES informed the committees that CVRF is the largest of the six CDQ groups, in terms of ownership of its fishing vessels. The CVRF owns all of its vessels and last month purchased six new vessels in cooperation with another CDQ group. Mr. Oates informed the committees that prior to CVRF reaching out to Seward, it performed a statewide search for locations that could meet its needs. Those needs were for a year-round, ice free, deep water port and for an area that had road, rail, and air access. The location also needed to have major ship repair capability and an existing maritime industry. Furthermore, CVRF sought a location with room to grow, both on the water and upland. Finally, CVRF hoped to find a location with a maritime training and licensing capability, which Seward

has through the Alaska Vocational Technical Center (AVTEC). Mr. Oates emphasized that every skill set used in the CDQ groups is offered at AVTEC. The only place meeting all of the aforementioned needs was Seward, which has led to the request to legislature.

MR. OATES then turned to a slide presentation. He informed the committees that Resurrection Bay is a year-round, ice free, deep water port that has road, rail, and air access. Although Seward already services a wide array of marine vessels home ported in Seward, more room would be necessary to expand to meet the needs of CVRF. He pointed out that Seward has a railroad dock that is a major cruise ship port, a cold delivery terminal, as well as a major freight dock that is large enough to dock the largest millennium size cruise ships. He noted that about 60 cruise ships visit Seward each year. Across the bay is the Seward Marine Industrial Center (SMIC), which is within the city limits of Seward and is connected to Seward by a major highway. Furthermore, there's an extensive road network with about \$70 million of existing infrastructure. He then shared a slide of SMIC. Although SMIC has space for transient moorage, more space is necessary for the CDQ groups. Seward also has a commercial fishing presence. He informed the committees that the price of fuel at the port of Seward is some of the cheapest fuel prices in Alaska. Although the three major fish processing and packing industries in Seward wouldn't meet the needs of the CDQ groups, it illustrates the area's familiarity with the fishing industry. As mentioned earlier, there is room to grow in the upland area of SMIC. He highlighted that SMIC has a 250-ton marine travel lift, which would serve about 50 percent of the CDQ fishing fleets. There is also a large upland vessel storage area. Mr. Oates then presented a slide that showed the SMIC Basin Synchronlift, which lifts vessels up to 350 feet out of the water to an elevator that then proceeds on a track system to the maintenance facility. The Synchronlift, he noted, could be expanded to handle two 350 foot vessels at once.

[9:42:10 AM](#)

MR. OATES reviewed what Seward has put forth. He acknowledged that much of the \$70 million in infrastructure of Seward that came about in the 1980s was from a combination of federal and state funding as well as revenue bonding at the city level. The City of Seward has funded the initial economic analysis and engineering analysis for the concept. He then pointed out that the basin for Phase 1 will meet all the needs of CVRF. He pointed out the extension of the dock area, which is a roll-on

and roll-off dock with crane capability. There is also to be a breakwater across the entrance of the basin to provide a fully protected basin. Ships can be moored on both the lower and upper portions of the extended dock area and there will be slips within the basin itself. There is also an area for a 600 ton vessel travel lift. He explained that the aforementioned is Phase 1 because it builds on existing infrastructure and is easier to permit, which makes it less expensive. He then highlighted the portion of the site where the uplands development is possible. Phases 2 and 3 would become necessary if the other CDQ groups decide to relocate to Seward. Just this week, he met with the executive director and chairman of the Western Alaska Community Development Association (WACDA), which represents all six CDQ groups. The WACDA is presenting this initiative to the other five CDQ groups during its next board meeting. This concept, he related, was built with funding from the City of Seward. He informed the committees that in the fiscal year (FY) 2012 state capital budget, there is a \$400,000 appropriation, which will allow completion of the engineering and economic analyses as well as the geotechnical work, the preparation of the permitting, and finalize the financing options for this project. If the aforementioned funding is available, the projected completion of the project could be December 2014.

[9:45:38 AM](#)

MR. OATES then turned attention to the AVTEC maritime training facility in Seward and noted the various training offered there. He noted that some CDQ boats were already moored in Seward this winter. Other areas of Seward that facilitate [the training] requirement are the marine research performed by the Alaska Sea Life Center and the \$200 million marine research vessel being built by the National Science Foundation that will be home ported in Seward. Seward also has its own electric generation capability. Although Seward purchases power from Chugach Electric and Bradley Lake, Seward has the ability to purchase all of its power in the case of a power outage. The aforementioned, he opined, is very important for industry. Therefore, Seward is an excellent choice for CVRF. He then mentioned that there has been a preliminary finding from the U.S. Army Corps of Engineers that this project is economic. He explained that the successful CDQ groups don't pay for this infrastructure because the legislation establishing the CDQ groups mandates that their earnings be reinvested in the Bering Sea area, although the Bering Sea area doesn't have the capabilities necessary. Mr. Oates opined that this will

facilitate the movement of the other five CDQ groups to Alaska. He noted that he has met with Alaska's Congressional delegation of which all three are enthusiastic about this project and willing to voice their support for the project. He further noted that there have been meetings with the Office of the Governor, the Office of the Lieutenant Governor, the director of the Office of Management and Budget, the commissioners of the Department of Natural Resources, Department of Transportation & Public Facilities, Department of Commerce, Community & Economic Development, and the Alaska Department of Fish & Game, all of which have been enthusiastic. Moreover, discussions with the [City of Seward's] legislators have been very positive. In conclusion, he thanked the committees for their consideration and for [Representative Seaton's] resolution of support for this project.

[9:50:00 AM](#)

DAWSON HOOVER, Program Manager, Coastal Villages Region Fund, began by informing the committee that he grew up in Western Alaska and has been with CVRF for the past five-plus years. Having worked for CVRF has helped him do what he intended with his college degree, which is helping youth with opportunities that wouldn't be available without CVRF and commercial fishing. He opined that CVRF home porting its vessels makes sense and is possible. He remarked that CVRF is willing to pay a bit more for moorage, vendor support, and maintenance than it would in Seattle. "We're willing to be a customer in Seward," he stated. With regard to infrastructure costs, CVRF supports Seward's efforts in Phase 1 to perform a feasibility study. He then mentioned that CVRF is considering building a shallow dock in Platinum for a small fleet, that is 135 feet and below. These smaller vessels would likely be salmon and halibut vessels. Since not much detail has gone into this shallow dock concept, CVRF hasn't made a request. However, he emphasized that [the goal] for CVRF is to keep its deep and shallow draft fleets in Alaska.

[9:52:49 AM](#)

CHAIR HERRON encouraged Mr. Dawson to extend the committees' appreciation to the CVRF Board, especially Morgan Crow, as they have done a fantastic job for Western Alaska.

[9:53:12 AM](#)

REPRESENTATIVE FOSTER characterized this project as a no-brainer. He then inquired as to the location and position on this project from the other five CDQ groups.

MR. OATES related that one of the other five CDQ groups is fully supportive. However, the presentation hasn't been made to the remaining CDQ groups. The purpose of the meeting with WACDA is to present the proposal to the other CDQ groups.

MR. HOOVER related his understanding that the ownership of the vessels in the other CDQ groups is mainly in Seattle. He offered to obtain more information from WADCA.

REPRESENTATIVE FOSTER commented that bringing jobs and industry back to Alaska make for an easy [decision].

[9:55:02 AM](#)

REPRESENTATIVE TUCK inquired as to how the maintenance and major ship repair capabilities [in Seward] differ from those provided in Ketchikan.

MR. OATES related his understanding that the two are somewhat similar and compete for many of the same projects. However, Seward has a Synchrolift in which it can bring vessels up on a rail system for maintenance and repair. Although Seward's Synchrolift can only address one 350 foot vessel or smaller at a time, uplands work can be performed. With regard to this opportunity, the largest shortcoming in Ketchikan is the lack of road and rail access. He also didn't know as to the ability of Ketchikan for upland expansion. Also, Seward has the maritime training and licensing at AVTEC. In summary, Mr. Oates opined that if CVRF comes to Alaska, there will likely be more work for all shipyards in Alaska.

MAYOR DUNHAM added that one of the key components in Seward is that the yard is adjacent to the moorage area.

[9:57:08 AM](#)

REPRESENTATIVE GARDNER inquired as to whether AVTEC has capacity, has the capacity to expand in terms of classrooms, facilities, and housing.

MR. OATES recalled meeting with Commissioner Bishop regarding whether AVTEC growth would be necessary if this project comes to fruition. Currently, AVTEC has capacity for some additional

growth, but if all six CDQ groups came to Alaska AVTEC would have to grow its programs.

MAYOR DUNHAM informed the committees that AVTEC trains 500-800 people a year, with some years as high as 1,100. He said that there would be a growth and a needs factor [if this project were to go forward].

[9:58:57 AM](#)

CHAIR HERRON extended thanks to CVRF in terms of using AVTEC. He then noted that he and Mr. Oates worked on a project in Bethel with a vocational education center in which CVRF was involved. Chair Herron requested that Mr. Oates provide the letters from Alaska's congressional delegation to Representative Seaton's office for inclusion in the packet for the resolution.

MR. OATES said he would forward the letters once they have received them. He related that Alaska's congressional delegation intends to send the letter to the governor, the President of the Senate, and the Speaker of the House.

[10:00:27 AM](#)

REPRESENTATIVE THOMPSON opined that this proposal is very exciting as it brings jobs to Alaska and keeps money in the state. He noted his appreciation for this presentation.

[10:00:52 AM](#)

CHAIR HERRON cautioned that this won't be the easiest move as the CDQ fishing fleet is an important asset for its current location. Still, he said he looked forward to working on this proposal.

[10:01:27 AM](#)

ADJOURNMENT

There being no further business before the committees, the joint meeting of the House Community and Regional Affairs Standing Committee and House Special Committee on Economic Development, International Trade and Tourism was adjourned at 10:01 a.m.