

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 24, 2011

3:30 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Thomas Wagoner
Senator Linda Menard

MEMBERS ABSENT

Senator Albert Kookesh
Senator Johnny Ellis

OTHER LEGISLATORS PRESENT

Representative Peggy Wilson

COMMITTEE CALENDAR

PRESENTATION: PLANNING FOR ALASKA'S REGIONAL PORTS AND HARBORS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

PAT BURDEN, President and Principal Economist
Northern Economics
Anchorage, Alaska

POSITION STATEMENT: Presented the report, Alaska Regional Ports:
Planning for Alaska's Ports and Harbors.

DONALD FORE
U.S. Army Corps of Engineers
Eagle River, Alaska

POSITION STATEMENT: Answered a question regarding federal funds
for the maintenance of ports and harbors in Alaska.

JEFF OTTESEN, Director
Division of Program Development
Department of Transportation

Juneau, Alaska

POSITION STATEMENT: Discussed the use of Public Private Partnerships as a potential method of funding ports and harbors in Alaska.

ED FOGELS, Deputy Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Gave a presentation on the Statewide Digital Mapping Initiative (SDMI).

NICK MASTRODICASA, Project Manager
Statewide Digital Mapping Initiative Project
Division of Statewide Aviation
Department of Transportation
Anchorage, Alaska

POSITION STATEMENT: Answered questions of the committee regarding SDMI.

MIKE O'HARE, Deputy Director
Division of Homeland Security and Emergency Management
Department of Military and Veterans' Affairs (DMVA)
Fort Richardson, Alaska

POSITION STATEMENT: Commented on the importance of SDMI from a homeland security and emergency standpoint.

LARRY DIETRICK, Director
Division of Spill Prevention and Response
Department of Environmental Conservation
Juneau, Alaska

POSITION STATEMENT: Highlighted some of the items in the Planning for Alaska's Ports and Harbors report that relates to spill prevention and response.

SUSAN BELL, Commissioner
Department of Commerce, Community and Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Commented on the Planning for Alaska's Ports and Harbors report and discussed DCCED's role in the development of ports and harbors in Alaska.

BOB PAWLOWSKI, Legislative Liaison
Denali Commission
Anchorage, Alaska

POSITION STATEMENT: Discussed the Denali Commission's role in the development of ports and harbors in Alaska.

LARRY COTTER, CEO
Aleutian Island Community Development Association (APICDA) and
Chair

Western Alaska Community Development Association (WACDA)
Juneau, Alaska

POSITION STATEMENT: Commented on the importance of harbors and
ports of refuge in Alaska, specifically along the Aleutian
Chain, and answered questions of the committee.

MATT GANLEY, Vice President
Land and Resources
Bering Straits Native Corporation (BSNC)
Nome, AK

POSITION STATEMENT: Discussed the importance of obtaining Port
Clarence as a potential port of refuge and for spill response in
Bering Strait.

MARK DAVIS, Officer
Economic Development
Alaska Industrial Development & Export Authority (AIDEA)
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Commented on the Planning for Alaska's Ports
and Harbors report and discussed some of the current and future
port and harbor projects AIDEA is involved with.

CHRISTINE KLEIN, Executive Vice President and COO
Calista Corporation
Bethel, Alaska

POSITION STATEMENT: Emphasized the importance of state funding
for Alaska's ports and harbors, pointed out some issues in the
Planning for Alaska's Ports and Harbors report, and answered
questions of the committee.

ACTION NARRATIVE

[3:30:21 PM](#)

SENATOR MENARD called the Senate Community and Regional Affairs
Standing Committee meeting to order at 3:30 p.m. Present at the
call to order was Senator Menard. Chair Olson arrived shortly
thereafter.

[3:31:08 PM](#)

SENATOR MENARD presented a short film clip depicting the Knik
Arm Bridge and Toll Authority (KABATA) from Port Mackenzie to
the Port of Anchorage. She noted that a recommendation from the

Federal Highway Administration has been received. She added that DVDs of the clip are available.

SENATOR MENARD turned the gavel over to Chair Olson at 3:32 p.m.

PRESENTATION: PLANNING FOR ALASKA'S REGIONAL PORTS AND HARBORS

[3:32:17 PM](#)

CHAIR OLSON announced that the order of business would be to hear a presentation regarding the recent release of a study on planning for Alaska's regional ports and harbors.

[3:33:10 PM](#)

PAT BURDEN, President and Principal Economist, Northern Economics, presented a report titled Alaska Regional Ports: Planning for Alaska's Ports and Harbors. He said that the report was created for the US Army Corps of Engineers (USACE) and the Department of Transportation (DOT) [Report included in the document packet].

He turned to his presentation [included in the document packet]. Slide 3 discussed the purpose of the study and how it originated. He explained that in January 2008, USACE sponsored the first Alaska Regional Ports Conference. The conference highlighted the need for a collaborative planning effort between the entities that were engaged in port and harbor development in the state. He noted that at that time there was no statewide map or plan for port and harbor development. During the conference participants recommended development of a comprehensive master plan to address the marine transportation challenges faced by the state. He explained that a master plan would encourage the coordination of facilities and resources, resulting in a more functional system. This would allow the state to better address the needs of its population and industries relying on marine transportation. In order to properly draft such a document research on global trends, regional networks, and the current and future needs of Alaska was required.

Slide 4 laid out the scope of work for Alaska regional ports, which was conducted by URS Corporation, Northern Economics, and RISE Alaska LLC. He said that in order to develop the scope of work, there were six basic tasks that needed to be undertaken.

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SENATOR WAGONER joined the committee.

MR. BURDEN continued with his presentation. Slide 5 discussed the first task: the strategic trends report. This report summarized the trends in the maritime transportation industry on both a global scale and in the state of Alaska. The report looked at:

- International developments in operations and facilities such as new shipping routes, trade patterns, and port ownership.
- Trends in demand for Alaska maritime operations and facilities such as resource industry developments and emergency response needs and the absence of harbors of refuge in Western Alaska.
- Assessment of shipping and port development issues in Alaska.
- Port and harbor investment needs and financing opportunities.

Slide 6 discussed the second task: the baseline assessment of existing ports and harbors in Alaska. He explained that USACE conducted a mailed survey to owners of private and public port and harbor facilities. These results established the basis for describing existing port and harbor infrastructures, attributes, and needs. He explained that the assessment also included secondary materials such as financial statements, budgets, and transportation plans to illustrate how different facilities are governed and financed. Using the information from the survey as a base, databases of port and harbor projects from the USACE, DOT, and the Denali Commission were incorporated to create a comprehensive statewide list of needs. He noted that the list is a work in progress and will continue in the future.

Slide 7 described the third task: the preliminary identification of regional and subregional hubs. He explained that hubs were identified through a systems approach, where facilities with the largest network impacts may become focal points for improving regional transportation. Hubs were determined through industry interviews and were vetted with a project advisory group.

MR. BURDEN explained that regional hubs represent the primary ports of entry for goods moving into or out of the state and region. While subregional hubs are primarily used for distributing goods from the regional hubs to elsewhere in the region. He emphasized that while Northern Economics believes hubs should receive a priority there are a number of criteria that should be used to rank projects.

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Slide 8 was a map and list of regional and subregional hubs that were identified in the report.

Slide 9 discussed the fourth plan: to develop appropriate policy and plan development. He explained that Northern Economics identified impediments to efficient port and harbor development and recommended improvements in the way federal, state, and local governments work together and facilitate development. The recommendations that were provided came from stakeholder interviews, literature reviews, and experience with the industry. The report identifies a number of areas of potential improvement, including:

- Communication
- Coordination in planning
- Project prioritization
- Regional participation
- New thoughts on funding

Slide 10 included the fifth task: the Regional Port and Harbors Conference. The conference was held to share information on statewide port and harbor progress since the first Port and Harbors conference in 2008. USACE and RISE Alaska organized and sponsored the conference; Northern Economics participated as speakers and aided in material presentation.

Slide 11 discussed the sixth task: the final plan preparation. He said that based on the input from the conference, Northern Economics revised the draft plans and posted the Final Plan for public comment. He noted that this public comment period was extended to March 31, 2011. He said that while it is not expected that the final plan will be modified, the comments received may be used in future revisions to the plan.

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CHAIR OLSON said the maintenance of ports and harbors that is being given back to municipalities appears to be a fairly large issue. He asked if Northern Economics took into consideration the expense and the ease of maintaining these ports and harbors.

MR. BURDEN replied that the need for sustainability of the ports and harbors was discussed. He noted that Northern Economics has been working with a number of communities around the state in order to maintain financial stability. He explained that often

these facilities are being subsidized through the general fund, rather than being maintained through appropriate user charges.

CHAIR OLSON asked about federal funds related to ongoing maintenance of ports and harbors.

MR. BURDEN replied that he is unaware of any federal funds for harbor maintenance.

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DONALD FORE, US Army Corps of Engineers (USACE), replied that nationwide, USACE has a maintenance program for federally authorized projects. Typically there is not enough funding to maintain these projects properly. He noted that it is no different in Alaska.

SENATOR WAGONER commented that a heavier emphasis needs to be made on communication with individuals who own ports and harbors. From his own personal experiences, he observed that it appears there are large discrepancies in the charges that owners are making in order to house a vessel. He said that "it all goes back to the fact that Alaskans have gotten something for nothing for so long that they are unwilling to pay for the services they get." He said that this cuts through the entire problem with regard to fees for maintenance.

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JEFF OTTESEN, Director, Division of Program Development, Department of Transportation, discussed the use of Public Private Partnerships (PPP) as a potential method of funding ports and harbors in Alaska. He explained that his division led the port study for DOT. He noted that Mr. Burden did a great job in summarizing the overall report. He said that PPP might be a financing technique that could be used for port and harbor work. PPP has been used in the past in the United States and has become very widely used in Europe and Asia. This type of partnership is more recent in North America, though several states are using it, which includes Alaska's KABATA project. He noted that AIDEA [Alaska Industrial Development & Export Authority] has many of the characteristics of a PPP, though it is not precisely the same. He explained that in this type of partnership a firm is hired, which takes on much of the risk: this includes the acquisition of financing, the design and building of the structure, and, ultimately, the operation and maintenance of the facility for some period of time. Typically at some point the facility is handed back to the public entity that authorized the construction. He explained that the key is

there needs to be a bankable project with a robust base of users who are willing to pay fees and will ultimately support the PPP.

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MR. OTTESEN noted that this can't be done when there are thin economics, but rather the kind of robust economics that will satisfy Wallstreet. He explained that while PPPs have, in the past, been focused on "mega projects," the focus has changed to smaller projects. He summarized that PPP is an old idea that is worth new consideration. However, it will not be ideal for Alaska's economics because of geographical distance, terrain, and thin population. He explained that there was an agreement between the USACE and DOT to look into PPPs.

He said that there is a follow-up study that has been requested in the Legislative Capital Budget to look at specific port needs for larger vessels on the western and northern coasts of Alaska. This study would focus on ports that would serve the export of commodities, patrol needs of the Coast Guard and NOAA [National Oceanic and Atmospheric Administration], and act as a port of refuge. He noted that there are very few natural harbors along the western and northern coast of Alaska; the Coast Guard, Navy, and Alaska's congressional delegation are very interested in this study.

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CHAIR OLSON asked, with regard to Public Private Partnerships, what the ideal ratio between public money versus private money might be.

MR. OTTESEN answered that PPPs seem to focus on projects that have sufficient revenue to cover some of the risks. He reiterated that very robust economics is needed. He noted that it will not be easy to apply PPP in rural Alaska because of cost and low population.

CHAIR OLSON asked if the population that would use KABATA is large enough to avoid using a large amount of public funds.

MR. OTTESEN replied yes. He explained that the predictions of growth show that the Matanuska Susitna Valley is one of the fastest growing boroughs in the state and is located right next to Alaska's "largest economic engine." He said "that would be the sweet spot for a [PPP] in Alaska; that would be the kind of project that would make it happen."

SENATOR MENARD said "I like that answer."

[3:56:58 PM](#)

ED FOGELS, Deputy Commissioner, Department of Natural Resources, gave a presentation on the Statewide Digital Mapping Initiative (SDMI) [Power Point presentation included in the document packet]. He explained that his presentation relates to the discussion at hand because the state wants to, in its evaluation of port facilities in northwestern Alaska, better its mapping of that area. He explained that SDMI is trying to get a good digital elevation model (DEM) of the terrain in northwest Alaska.

Slide 2 of the presentation included the mission statement of SDMI:

Alaska's Statewide Digital Mapping Initiative is an interagency effort to produce high-resolution, digital base maps of the entire state.

Slide 3 was a background on SDMI. The initiative was created with a memorandum of agreement with the following state departments:

- Department of Natural Resources
- Department of Military and Veterans' Affairs
- Department of Transportation and Public Facilities
- Department of Fish and Game
- Department of Environmental Conservation
- Department of Commerce, Community and Economic Development
- University of Alaska

Slide 4 addressed the problem statement: Alaska's current base map consists of 40 to 50 year-old United States Geological Survey (USGS) maps.

Slide 5 included an example of an old USGS topographical map from 1962. He explained that these maps are not only non-digital, but are inaccurate terrain models. He said that some of the planets like Mars and Venus have been mapped more accurately than Alaska by the federal government.

Slide 6 discussed the importance of DEM. He explained that DEM is the resource for all other resource data layers and if it is inaccurate then satellite images cannot be rectified.

[4:04:42 PM](#)

MR. FOGELS continued with his presentation. Slide 7 was an example of a Landsat 7 image that was draped over the national elevation dataset (NED). He explained that the image shows rivers that flow up and down the sides of mountains. He stressed the importance of having an accurate terrain model for individuals such as pilots who have to take into account the inaccuracies of the models they rely on.

Slide 8 gave the funding history of SDMI:

- FY2007 - \$2 million CIP [Capital Improvement Projects] Funding
- FY2008 - \$2 million CIP Funding
- FY2009 - \$2 million CIP Funding

Slide 9 included some of the accomplishments that have been made with those funds. These include:

- Alaska Mapped Web Portal - where satellite imagery and digital elevation data is collected and available to the public.
- Purchased new statewide SPOT 2.5 meter imagery coverage.
- Purchased 20 foot contour interval DEM for 15 percent of the state.

MR. FOGELS noted that the final bullet point is the most pertinent to the current discussion.

Slide 10 included a more detailed discussion on the Alaska Mapped Web Portal. He noted that it is the distribution site for Alaska imagery and elevation data. This web portal is managed by the University of Alaska Fairbanks and is a public website: www.alaskamapped.org.

Slide 11 was a screen shot of the website.

Slide 12 was another image from the website. He noted that it is similar to Google Earth for Alaska. He explained that the image in the presentation is a zoom-in of the port facility at the Red Dog Mine and that this is a very accurate satellite image. On the upper right hand side of the image, the picture becomes fuzzy, which illustrates where the good imagery stops and the old imagery begins. He noted that once the SPOT 2.5 meter data is acquired, this imagery will improve.

Slide 13 gave an overview of the web portal. He explained that DNR has pulled in data from over 17 agencies and acquired over 84 million acres of high-resolution imagery and 18 million acres of high-resolution elevation data. He reiterated that all of this data is available to the public.

Slide 14 discussed the statewide imagery coverage. He explained that DNR has purchased full satellite imagery for the entire state. He noted that this was done with \$2 million of CIP funding and \$2.6 million worth of federal coastal impact assessment funds. He noted that DNR expects to complete this project by 2013.

Slide 15 showed the satellite imagery that has already been collected.

Slide 16 discussed the statewide DEM partnership. He noted that the remaining \$2 million of CIP funding along with federal funds was used to purchase the DEM model for 15 percent of Alaska.

Slide 17 showed, in red, the area that was purchased. It also broke down what area the state paid for and what the federal agencies paid for.

Slide 18 discussed what needs to be done in the future with regard to SDMI. He reminded the committee that 85 percent of the state still needs DEM.

MR. FOGELS noted that, with regard to ports and harbors, DNR's next target will, hopefully, be the acquisition of DEM for Northwest Alaska. He explained that this will enable the state to better study the northwest for feasible port sights. He said that Nick Mastrodicasa, with DOT, is on the digital mapping technical team and has spearheaded the effort to collect the DEM.

He concluded that it is important for Alaska to get a better base map. He noted that DNR has a very tight relationship with DOT and other agencies on this project.

[4:08:17 PM](#)

SENATOR MENARD asked if DNR has used Google Earth as a resource.

[4:08:47 PM](#)

NICK MASTRODICASA, Project Manager, Statewide Digital Mapping Initiative Project, Division of Statewide Aviation, Department of Transportation, replied that Google purchased all of the data

from a data aggregator and this data already exists in Alaska archives. Google did not acquire the data for Alaska and did not acquire any elevation data.

CHAIR OLSON asked for confirmation that the maps used by aviators are inaccurate.

MR. MASTRODICASA replied yes.

CHAIR OLSON asked for clarification that these charts are based off of 1962 USGS surveys.

MR. MASTRODICASA replied that the USGS surveys began in 1948 and ran through the mid to late 1950's. He explained that the FAA [Federal Aviation Administration] has to correct the data on the maps all the time in sectionals. He said that the ADSB [automatic dependence surveillance-broadcast] and the Capstone program have to be altered due to the inaccuracies in the elevation data. He explained that if the data that is currently available was put into the cockpit "you could potentially kill somebody."

CHAIR OLSON asked what the estimated cost for mapping the remaining 85 percent of Alaska would be.

MR. MASTRODICASA replied about \$48 million. He explained that federal funding would cover 73 percent of the cost and the remaining 27 percent would be covered by the state.

[4:10:37 PM](#)

MIKE O'HARE, Deputy Director, Division of Homeland Security and Emergency Management, Department of Military and Veterans' Affairs (DMVA), said that SDMI addresses the full spectrum of many agencies and its missions. With regard to the Division of Homeland Security and Emergency Management, if an emergency planner used Google Earth to locate a shelter, for example, it may be "a mile off and sitting in a river." He explained that for emergency planning this is very inaccurate and does not allow for the planning efforts that are required. He reiterated that SDMI is a collaborative effort between many state and federal agencies.

[4:12:08 PM](#)

SENATOR MENARD asked for confirmation that there was no legislative funding in 2010.

MR. MASTRODICASA replied that's correct.

SENATOR MENARD asked for confirmation that only 15 percent of Alaska has been digitally mapped.

MR. MASTRODICASA replied that's correct.

SENATOR MENARD asked for confirmation that the various state agencies are coming to the legislature to ask for additional funding.

MR. MASTRODICASA replied "to continue the work and leverage against federal funds."

[4:12:56 PM](#)

LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation, highlighted some of the items in the Planning for Alaska's Ports and Harbors report that relates to spill prevention and response. He explained that in order to support OCS [outer continental shelf] development in Alaska there is a great need for deep draft ports to accommodate OCS activity. He stressed the importance of considering deep draft ports in the selection process and identification for ports in the northern part of the state.

He said that another factor to take into consideration for port site identification is the opening of the arctic and shipping through the arctic that will occur. He said that an Arctic Marine Shipping assessment is available that could be valuable in terms of providing information on anticipated vessel traffic in the arctic and through Bering Strait. He stressed that this is a key pinch point for spill prevention and planning. There are also concerns about vessels that may avoid US waters in order to evade spill prevention response requirements, which is of interest to the Coast Guard.

He noted that there is a spill prevention response plan for the arctic and northwest Alaska. Included in the plan is the pre-identification of some "places of refuge," which are areas where vessels may anchor up and provide a safe harbor. He said that this should also be a consideration in the selection and identification of ports.

MR. DIETRICK pointed out that there is a disputed maritime boundary at Inuvik in the Yukon Territory between Alaska and Canada, which goes out into the Beaufort Sea. He noted that this is an issue from a spill response perspective. He stressed the

importance of ports that support both off-shore development and spill response.

4:18:14 PM

CHAIR OLSON recognized the presence of Representative Peggy Wilson.

He asked Mr. Dietrick for confirmation that Inuvik has a port.

MR. DIETRICK replied Tuktoyaktuk is the off-shore port; Inuvik is the oil-support base.

CHAIR OLSON asked what kind of resources [DEC] has for off-shore spills, especially when it is between international waters and US controlled waters.

MR. DIETRICK replied that in the US, on both the state and federal level, the capacity to respond to spills is placed upon the responsible party. It is the regulated community that has the capacity to respond. He explained that currently in the state, with the OCS lease sale areas, the capacity to respond to spills is provided by those that explore the area. For example, when Shell Oil conducts any activity in that area it has the necessary instruments and plan in tact to respond, contain, and remove the oil.

4:20:13 PM

SUSAN BELL, Commissioner, Department of Commerce, Community and Economic Development (DCCED), said the ports and harbors infrastructure, from DCCED's perspective, is essential for both community vitality and economic development. She noted that the Planning of Alaska's Regional Ports and Harbors report provides a lot of current information on the state's infrastructure needs, industry trends, and other factors to consider. It is also in alignment with a current approach from the governor to be looking at hub communities and prioritizing some of the ports and areas that are going to generate economic development. She supported the importance of prioritizing Alaska's ports and looking at public private partnerships. She acknowledged Mr. Ottesen's comments on PPP and AIDEA. She stressed the importance of looking at each unique project.

She said that DCCED has noticed that many of the issues in the ports and harbor study are very similar to the issues that DCCED faced with sanitation: the need for coordinated planning, expensive projects that need to be phased in, and the need to often augment management capabilities at the community level.

She noted that the Denali Commission took a lead role in coordinating the Rural Utility Sanitation Committee to work through these issues.

[4:23:50 PM](#)

COMMISSIONER BELL proceeded by answering some of the specific questions that DCCED was asked to address.

The first question was how DCCED assists many of the small communities with port and harbor projects. She acknowledged the work of the Division of Community and Regional Affairs (DCRA), which has helped communities build its management capacity in order to develop and maintain its infrastructure. She pointed out that DCCED is part of the multi-agency effort working on SDMI and this information is critical for port planning. DCCED also administers many grants to ports and harbors: some funded through the legislature, the Alaska Community and Development Block grants, or other specific programs. One of the recommendations listed in the report was to look into a threshold grant [for ports and harbors]. She noted that DCCED is currently working with OMB [Office of Management and Budget] to figure out how grants can be stream-lined through DCRA. She explained that, currently, no matter the grant amount, the same set of paperwork is needed.

She continued that the Division of Economic Development is an area where DCCED is looking to help strengthen the industries that help make these ports and harbors economically viable. She reiterated that AIDEA's work is noted in the report. She said that in Skagway the Red Dog Mine funds some of the businesses that help strengthen the user groups of ports and harbors.

She explained that the Alaska Energy Authority's (AEA) work with the bulk fuel tank farms, while not directly engaged in port and harbor development, are located in Alaska's river and coastal areas.

[4:26:02 PM](#)

COMMISSIONER BELL continued with the second question DCCED was asked to address with regard to giving tax powers to port authorities. She explained that this topic needs to be more fully explored and there are pros and cons with it. She said that giving tax powers to port authorities would help create a dedicated funding source for port and harbor development. However, it is important that a municipality figure out what the overall needs for a community are and where its funds should be allocated.

She said that, finally, DCCED was asked to speak about maritime policy. She explained that, to her knowledge, the state does not have a maritime policy and that marine-related issues are addressed through a number of individual agencies and multi-agency efforts. She added that coastal and river areas are very different throughout the state with regard to seasonality, climate, population, and the types of industrial opportunities available.

She concluded that, as a state, there is a great effort to make sure that the public is aware of these maritime issues, that there is sustainable use of Alaska's bodies of water, and leadership in national and international maritime affairs is promoted.

[4:28:25 PM](#)

CHAIR OLSON said that while it is okay to build a port at a sight, there has to be surface transportation to bring the goods to the port. For instance, there are a lot of areas that would work well for a deep water port, but the area is not connected to any place. He asked if DCCED has given any consideration to surface transportation.

COMMISSIONER BELL replied that DCCED looked at the report and recognized that the linkage from a port to places such as Anchorage or the Matanuska Susitna Valley is critical. She stressed the need to think about ports and harbors in a broader context. She acknowledged that "DOT is a big piece of that."

[4:29:43 PM](#)

BOB PAWLOWSKI, Legislative Liaison, Detail for Alaska State Legislature, Denali Commission, discussed the Denali Commission's role in the development of ports and harbors in Alaska. He paraphrased the following piece of written testimony:

The [Alaska Regional Ports: Planning for Alaska's Ports and harbors] report is very clear that waterways are vitally important to the state as most communities depend heavily on movement of general cargo, building materials, and freight. The lack of roads to and amongst most communities further emphasizes the importance waterways and ports, harbors and barge landings at each community fulfill. And finally this is complicated by the short navigational season that depends on efficient and cost effective operations. The Denali Commission, as an independent Federal

Agency with state and federal co-chairs, received program authorization and funding in 2005 as part of SAFETEA-LU transportation bill for both road and waterfront programs. The waterfront development program addresses port, harbor, and other waterfront needs for rural communities. The focus areas are important to regional ports, and construction of barge landings and docking facilities.

Of particular merit, since 2005 the Denali Commission has invested over \$50 million in waterfront projects throughout Alaska. Recently, the Denali Commission approved \$14,826,397 in funding for 25 FY2011 waterfront development projects across the state. The approval for innovative barge mooring points in various communities on the Kuskokwim and Yukon rivers is an excellent example of partnerships in innovative ways to support local communities on Alaska's rivers. These points were developed in partnership with the US Army Corps of Engineers Alaska District, the communities, and the tug and barge industry to allow the offloading of freight and fuel in a moored and more efficient manner, thus saving the communities money and minimizing disruption to the river environment (i.e. shoaling problems and other damage).

The Denali Commission encourages the committee to further explore plans for improving the harbors and river landings, including opportunities for public private partnerships that support local communities with a combination of federal and non-federal funds. Having staff actively involved in the "Planning for Alaska's Regional Ports and Harbors" study and the 2008 and 2010 Alaska Ports workshops, we understand the needs identified in this report and offer our waterfront and community development expertise in helping to sustain rural Alaska communities that depend on navigable waters.

[4:32:39 PM](#)

CHAIR OLSON asked what federal funds can be counted on in the near future for building port facilities.

MR. PAWLOWSKI replied that it is difficult to see what will happen. He noted that congressionally directed funds with bills that are under reauthorization are being discussed. Currently the safety lieu is being continued through 2013. However, there

is a chance that the FTA [Federal Transit Administration] money of \$5 million per year, may be slipping out under a different clause.

[4:33:46 PM](#)

LARRY COTTER, CEO, Aleutian Island Community Development Association (APICDA) and Chair, Western Alaska Community Development Association (WACDA), said that the state is very reliant on [harbors] in Alaska, particularly in rural and western Alaska. He said "if we don't have a [harbor], the viability of the community is greatly at risk." He noted that there is a very important distinction between a port and a harbor. A port is a facility that receives cargo for subsequent transport out and is typically located in larger communities. A harbor is a facility that serves as a key infrastructure for a community and is typically located in smaller communities. He stressed that harbors serve as the backbone for economic stability in western Alaska. He explained that it is very competitive to try and get money for harbors, particularly in Washington D.C. He said that what the state is doing in conjunction with USACE, with regard to the particular project at hand, is long overdue. It is important to have a logically worked-out program that will help identify: "what we want to do, where we are going to do it, and why we're going to do it." He recognized that the state will need financial help to develop ports and harbors.

[4:36:38 PM](#)

MR. COTTER said that with regard to ports of refuge and safety there is a lot of attention focused on the arctic and the need to develop deep water ports. However, the Aleutian Chain already has well over 2,000 vessels transiting it; this has been noted in the Planning for Alaska's Regional Ports and Harbors report. He explained that in the past five or six years there have been at least four major groundings in the Aleutian Islands and several near misses.

He said that safety is very important and harbors play a key role. He noted that in the Bering Sea during the snow crab fisheries, there is one port, Saint Paul, which gets iced over in the winter. He explained that this means there is no place for vessels to go during a storm. He said that these issues can be avoided when a port and harbor plan has been properly developed for Alaska.

[4:38:51 PM](#)

SENATOR MENARD said she appreciates his comments.

CHAIR OLSON asked what the plan is for funding some of these capital projects and whether the CDQ (Community Development Quota) [of APICDA] plans on getting involved in some of these projects.

MR. COTTER replied that APICDA has in the past and plans to continue doing so. He explained that the association has always put up \$1 million or more into such projects. For example, in Saint George APICDA has already put over \$3 million into the port. He noted that NSEDC [Norton Sound Economic Development Corporation] and other groups have invested similar amounts.

CHAIR OLSON said the House and Senate Finance committee has had a lot of discussions on harbor maintenance. He asked what kind of involvement the CDQ of APICDA is doing with regard to this topic.

MR. COTTER replied that APICDA has not faced that issue yet. However, he said "if a harbor goes in then we're going to have money in that harbor." He noted that economic activity will develop as a result of that harbor. Finally, he explained that if the viability of that harbor in the future is contingent upon APICDA funds the association will provide it.

[4:40:44 PM](#)

MATT GANLEY, Vice President, Land and Resources, Bering Straits Native Corporation (BSNC), discussed the importance of obtaining Port Clarence as a potential port of refuge and spill response in Bering Strait. He explained that spill response directly affects BSNC shareholders and Bering Strait communities. He expressed the corporation's interest on the ports and harbors report and the related studies on the ports of refuge. He explained that Nome is the hub for the Bering Strait region; it has a port that may or may not be able to take deeper vessels depending on what modification could be made there. BSNC selected Port Clarence, the 2,000 acres that are under military withdrawal, in 1976. The port was decommissioned on a fast-track this past summer by the Coast Guard. He explained that this facility is incredible with an impressive infrastructure, which now lies abandoned. The corporation is seeking to receive that land under angst. However, he explained that depending on the Coast Guard's plans, the property will not be in private ownership for 20 years. Currently, BSNC is pursuing every possible option.

MR. GANLEY explained that this situation opens up the opportunity for a PPP. NSEDC, which is the CDQ for the region, would have an interest in the facility, particularly with regard to safety and the fisheries that could open up. Because of the location of the facility (about halfway between Nome and Bering Straits), it would make sense to have this port operational to respond to vessels in distress in Bering Strait. He concluded that the corporation is concerned about receiving the property with a liability, since it currently lies abandoned; the longer that it takes to receive that land, the greater the liability will be.

[4:45:47 PM](#)

CHAIR OLSON asked for confirmation that his expertise is in archaeology.

MR. GANLEY answered yes. He explained that he has been with the BSNC for a long time and has dealt with a number of issues.

SENATOR MENARD asked for confirmation that the facility has been dormant since the 1970's.

MR. GANLEY replied no; the land was selected in the 1970's under the Alaska Native Land Claims Settlement Act. However, it was withdrawn in the 1960's as a communication site by the federal government and the Coast Guard built its Loran Station there. He explained that the Loran Mission ended in 2010 and the Coast Guard decommissioned the station.

SENATOR MENARD asked for confirmation that there is 7,000 feet of runway.

MR. GANLEY replied yes.

SENATOR MENARD asked if there is a hangar out there.

MR. GANLEY replied no.

SENATOR MENARD asked if there was a school.

MR. GANLEY replied no; it was strictly a station to run the [Loran-C] tower.

SENATOR MENARD said that she feels strongly that infrastructures like this should not go to waste. She asked what the legislature can do.

MR. GANLEY answered that the Bering Straits Native Corporation is discussing this with the congressional delegation.

REPRESENTATIVE WILSON asked what kind of land the facility is on and whether it can be built on.

MR. GANLEY replied yes. He explained that the corporation contracted a geomorphologist to take a look at the property since there was concern that the land might not have a long-term life because the property is not very high. The geomorphologist's report stated that it's a very stable landform that, for the last 1,500 years, has not experienced much erosion.

REPRESENTATIVE WILSON asked for confirmation that there is space for 24 people to live.

MR. GANLEY replied yes.

REPRESENTATIVE WILSON asked how deep the port is.

MR. GANLEY answered that the water close to the point is deeper than the port of Nome and is a deep water port. He explained that while the spit is low, it would protect vessels. The geography is very good as a port of refuge. He encouraged the committee members to look at a map of the area.

CHAIR OLSON asked how deep the water is.

MR. GANLEY replied about 25 feet at the end of the spit.

REPRESENTATIVE WILSON asked if the plans are to have a town at Port Clarence.

MR. GANLEY replied not necessarily a town. He explained that BSNC is in line to receive the property and land under angst, but it doesn't want to take it with liability. He reiterated that he can't speak to what the Coast Guard's plans are. However, he explained that because of cuts to the Bureau of Land Management, it will be, optimistically, 2050, before Native corporations receive its lands. He noted that this is the same situation for potential state lands. He explained that the BSNC hopes to seek legislation in Washington D.C. to expedite the process. From a safety standpoint and for the economy of the region the Bering Straits Native Corporation is committed to take this on, Mr. Ganley explained.

SENATOR MENARD commented that the response capability [of Port Clarence] is tremendous.

MR. GANLEY concurred.

[4:52:26 PM](#)

MARK DAVIS, Officer, Economic Development, Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community and Economic Development (DCCED), said that AIDEA is very active in the Public Private Partnerships (PPP) arena. The Red Dog Mine's DeLong Mountain transportation system port and the current plan for the port of Skagway both involve a PPP structure. He explained that there is also a potential port project in Seward that would involve using private and public funds.

He said that with regard to other finance mechanisms there are several. One mechanism is called "patient capital," and is a form of structuring debt. He noted that the DeLong Mountain Transportation Corridor is an example of this type of funding. He continued that another mechanism for funding is a Florida SIB (State Infrastructure Bank). Yet another mechanism is federal tax credits, under New Market Tax Credit. Finally, another idea for funding, which is not mentioned in the Planning for Alaska's Regional Ports and Harbors report, is Below-Market Loans, which is used by the California Industrial Development Bank. He noted that while AIDEA does not have that authority, some development authorities do.

He commented that AIDEA is happy with the review that it has received.

MR. DAVIS noted that the Port of Skagway was classified, in the report, as a "subregional port," which AIDEA respectfully disagrees with. He explained that the definition of a subregional port is located in the introduction of the report on page five and states:

subregional hubs do not directly send or receive goods from outside the state...

He said that the Port of Skagway is currently exporting substantial amounts of ore concentrate from the Minto Mine. Currently there are 12 shipments per year, and by 2018 shipments are estimated to increase to about 50 shipments per year. He explained that AIDEA believes this will occur because of the development of three major mining projects. He explained that in

addition to these projects AIDEA is in communication with several mines in Canada about making Skagway an import harbor.

He explained that, with this in mind, the governor has requested a \$10 million appropriation for Skagway, which would build a part of the infrastructure that can't generate revenue. AIDEA would then put in about \$65 million through bonding, along with other private partnership commitments. This means that only a small amount of general funds would be used for the port development.

4:57:06 PM

CHRISTINE KLEIN, Executive Vice President and COO, Calista Corporation, Bethel, AK, said the Planning for Alaska's Regional Ports and Harbors report is an excellent start. She emphasized that both ports and harbors in Alaska are absolutely essential for access, delivering supplies to rural communities, and commerce. She explained that one thing the state has relied on is the US Rivers and Harbors Act, developed in the 1860's, which gave USACE authority over all ports and harbors. However, that program was never intended to address or fund all of the ports and harbors in the United States, in particular some of the unique situations found in Alaska.

She noted that while there are very few ports there are hundreds of harbors, which are depended upon by villages and thousands of citizens. Most of these harbors are not eligible for any federal aid. She explained that there is no funding program to deal with Alaska's ports or harbors and this has been underemphasized in the report. She added that this is one of the larger policy issues that state legislators are probably going to need to address. She noted that, for as many ports and harbors that the state has, the funding cycles within DOT has a very intermittent municipal harbor matching grant and deferred maintenance program. This program is funded year-to-year and averages about \$5 million to cover all ports and harbors in Alaska. She stressed the need for the state to have a designated program or funds to rely on. She suggested that if the report could, when it is finalized, better summarize some of the solutions and directions this will help everyone in the future.

She noted that there were two areas within the report that she found to be issues. The first issue is the lack of regular state funding sources; whether this is user fees or taxes. The second issue is the need for a constitutional amendment or authorization to enable the state to dedicate, accept, and utilize funds for transportation needs. She noted that this was

in Alaska's constitution at one time, but has since been changed. She explained that this would enable there to be some consistent statewide comprehensive planning and address some of the construction and renovation needed for reliable access and economic activity, particularly in rural areas. She noted that most states in the nation have some type of transportation trust fund or core program to supplement its transportation infrastructure. Alaska is one of the few states that does not have this.

[5:02:50 PM](#)

MS. KLEIN explained that because the Yukon Kuskokwim region is a river delta, it is more of a river port than a maritime port. Emmonak and Alakunuk is the other site where shipments enter the Yukon River from the ocean. She explained that some of the difficulty has been in developing and funding of ports; which requires high-intensive funding. Small communities in western and northwestern Alaska cannot take on those types of costs. However, these regions are probably the most reliant on this mode of transportation.

She noted that with respect to some of the industries, which the Calista Corporation has hopes of developing, maritime and river barge shipping is known to be the cheapest mode of transportation, especially for heavy commodities. She said that she is pleased with the recommendation in the report to establish a lead agency or group that would help coordinate the many entities. She said that there should be an effort made by the state to not only pull together these groups but to prioritize some of the needed ports and hubs in the state. She reiterated the importance of having more stable funding, rather than relying on federal grants and earmarks.

Finally, she explained that with regard to port financing there are options that could be made easier for public private partnership, such as tax incentives.

[5:08:05 PM](#)

SENATOR MENARD commented that she appreciates the Planning for Alaska's Regional Ports and Harbors report and that it is noteworthy that the final report will not be issued until after this meeting. She said that the SDMI presentation was educational and that the legislature needs to look into funding the mapping for the rest of the state.

CHAIR OLSON asked Ms. Klein what her position is with Calista Corporation.

MS. KLEIN answered the chief operating officer and executive vice president.

CHAIR OLSON said there has been some discussion about a port on Donlin Creek above Bethel in order to access some of the oil reserves in the area. He asked what Calista's involvement will be in that port.

MS. KLEIN replied that at this point it would be a private development. She said that she could not speak to the funding for the Donlin Creek project. She said that with regard to the location the Birch Tree Crossing near Aniak and a site near the village of Crooked Creek are being considered. She noted that the Calista Corporation's type of involvement depends on the site that is chosen.

CHAIR OLSON explained that he brings the question forward because there has been a request to the state from the community of Akiak to build a port in conjunction with the Donlin Creek project. He asked if Calista is involved with this.

MS. KLEIN answered that the Donlin Creek development recently had a request for proposals for sites on the Kuskokwim River. These came from communities and tribal groups that have land available that might be deemed as a possible port site. She noted that many communities submitted letters of interest.

CHAIR OLSON closed public testimony.

5:11:40 PM

There being no further business to come before the committee, Chair Olson adjourned the meeting at 5:11 p.m.