

SENATE FINANCE COMMITTEE  
February 23, 2011  
9:02 a.m.

[9:02:10 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lesil McGuire, Vice-Chair  
Senator Johnny Ellis  
Senator Dennis Egan  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget; Governor Bill Sheffield, Port Director, Port of Anchorage; Representative Bill Stoltze; Todd Cowles, Port Engineer, Port of Anchorage; Emily Cotter, Director of Marketing & Public Affairs, Port of Anchorage; Elizabeth Gray, Acting Borough Manager, Matsu Borough; Joe Perkins, Executive Project Manager, Port Mackenzie Rail Extension; Dr. Paul Metz, Professor of Geological Engineering, University of Alaska; Chris Aadnesen, Chief Executive Officer, Alaska Railroad Corporation; Tom Cochran, Mayor, Skagway; Paul Taylor, Selwyn-Chihong Mining; Mark Davis, Economic Development, Alaska Industrial Development and Export Authority

SUMMARY

^Overview of Statewide Port and Harbor Projects: Skagway; Port Mackenzie; Anchorage Port

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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET (OMB) stated that there was \$360 million in the governor's budget for the three ports.

Co-Chair Hoffman stated that there was a project in his district that would provide jobs: the Don Creek project. He stated that they had worked to develop projects. He wondered if the size of the project was large enough for the state for develop that resource. He wondered why a project that would provide 800 jobs would not be considered. Ms. Rehfeld stated that OMB had not received a request, but remarked that it was an important project for the region.

Co-Chair Hoffman felt that the project was important for the state. Ms. Rehfeld agreed.

Co-Chair Stedman stated that the hearings did not include all the ports in the state, and there was only so much money that could be used.

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Senator Olson wondered if the members should focus on the three ports in the presentation. Co-Chair Stedman stated that he understood that there were many projects, but the three ports were the focus of the presentation.

GOVERNOR BILL SHEFFIELD, PORT DIRECTOR, PORT OF ANCHORAGE, presented a PowerPoint Presentation: "Port of Anchorage" (copy on file). He highlighted slide 2, and stated that the map displayed the impact of the Port of Anchorage.

Governor Sheffield highlighted slide 3: "Cargo at a Glance." He stated that the port saw 120,000 containers annually and 11 million barrels of fuel annually.

Governor Sheffield displayed slide 4: "Military Support." He stated that the port was designated by the Department of Defense and a nationally strategic seaport.

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Governor Sheffield discussed slide 5: "Revenue and Operating Projections." He explained that the was from \$5.8 million in 2011 to 10.6 million in 2021.

Governor Sheffield highlighted slide 6: "Project History." He explained that when he joined the port, it was very dilapidated. It was still fairly safe, but needed more money for upkeep.

Governor Sheffield displayed slide 7: "Intermodal Expansion Project." He stated that the slide displayed a before and after projection.

Governor Sheffield discussed slide 8: "Phasing Plan." He explained that the greatest challenge was to be under construction and open for business at the same time.

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Co-Chair Hoffman requested the process for getting design input from shippers that were utilizing the facility. Governor Sheffield replied that there were meetings and consultations pertaining to their needs.

Co-Chair Hoffman furthered that he was curious as to if the meetings were incorporated into the design and need for expansion. Governor Sheffield responded that those meetings were utilized.

Co-Chair Hoffman wondered if the improvements were documented. Governor Sheffield affirmed that there was documentation..

Co-Chair Stedman requested analysis of customer involvement. Governor Sheffield agreed to provide that information.

Governor Sheffield continued to discuss slide 8. He stated that construction would begin in the blue area of the map in 2018, and would be complete in 2021.

Co-Chair Stedman encouraged a focus of financial requests, construction, and timelines of the project.

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Governor Sheffield displayed slide 9: "Employment and Payroll." He pointed out that there were between 600 and 3,600 vehicles a day.

Governor Sheffield highlighted slide 10: "Companies involved in Expansion Project." He pointed out that 200 companies were involved in the port.

Governor Sheffield displayed slide 11: "Land Use." He displayed slide 12: "Port Expansion Team."

Governor Sheffield highlighted slide 13: "Funding." He explained the funds received to date were \$279 million: \$138.7 in federal funds, \$91.3 million in state funds, and \$49.1 million in port of Anchorage funds.

Co-Chair Stedman referred to slide 12 and requested the tie-in of the responsibilities of the project with the Integrated Concepts and Research Corporation. Governor Sheffield responded that he would highlight that issue in a future slide. He explained that MARAD hired a contractor for the development.

Governor Sheffield discussed slide 14: "State Funds Received to Date." He stated that the total funds that the port had received to date were \$91.290 million.

Governor Sheffield displayed slide 15: "Federal Funds Received." He stated that the port had received \$138.676 million in federal funds.

Co-Chair Stedman queried the expectation of federal funding for the port Governor Sheffield replied with slide 19: "Projected Expenditures and Funding." He stated that the top box displayed the expenditures. He specifically pointed out the North End line. He stated that the North and South End would be done at the same time. He furthered that the total expenditure cost would be \$922 million. He remarked that that total did not include costs incurred from faulty work in 2009.

Co-Chair Stedman wondered if the \$20 million was in the governor's capital budget. Governor Sheffield replied that they had requested \$320 million in order to start the south end project. He pointed out that they had not requested any federal funds for 2012 and 2013, because of government cut backs. He stated that they would ask for more, when they became available.

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Co-Chair Stedman queried the fund balance of the cash carry forward. He wondered what would happen if they did not get the \$300 million additional request. Governor Sheffield replied that they would be behind schedule.

Co-Chair Stedman wondered if they would be in a negative balance. Governor replied that money was not spent.

Co-Chair Hoffman looked at slide 19, and wondered if port funds were expended on the project prior to 2011. Governor Sheffield replied that they had a line of credit plus \$50 million.

Co-Chair Hoffman wondered why port funds were not anticipated from 3012 to 2017. Governor Sheffield responded that the funds were available, but were kept in the trust account.

Co-Chair Hoffman wondered why port funds were not included under commercial paper. Governor Sheffield stated that they could only borrow a certain amount.

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Co-Chair Stedman requested further explanation regarding commercial paper. Governor Sheffield replied that it would be rolled over every 30 days.

Co-Chair Hoffman wondered if any federal funds had been earmarked prior to 2011 and wondered how certain Governor Sheffield was in budgeting money after 2012. Governor Sheffield replied that the project was of national significance, and was confident that they could receive money through other departments like the Department of Defense (DOD).

Co-Chair Hoffman pointed to slide 15, and remarked that no funds were received from DOD. He wondered if he had received communications from the federal agencies implying a plan to designate funds for the project. Governor Sheffield responded that money was designated, but when Congress changed parties, they lost their \$10 million.

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Governor Sheffield highlighted slide 16: "Funds Expended on Project." He explained that \$265 million had been expended to date.

Governor Sheffield discussed slide 17: "Budget Comparison." he noted the influx of \$674 million from 2005.

Co-Chair Hoffman wondered what work had been done for projects that did not meet requirements and duplicative work. Governor Sheffield remarked that there was not an accurate accounting of the duplicates.

Co-Chair Hoffman queried the time frame for providing the information. Governor Sheffield replied that he was unsure.

Co-Chair Hoffman looked at slide 19, and wondered if the plan had been adopted by the Municipality of Anchorage. Governor Sheffield affirmed that the plan had been adopted by the Municipality of Anchorage.

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Governor Sheffield discussed slide 20: "2011 Construction Details." He stated that the current year jumped from \$37.7 million to \$51.2 million with initiated design.

Governor Sheffield highlighted slide 21: "2011 Construction." He pointed out that the left displayed the wet-dock area and the right side represented the wall of sheet pile and the tail walls needed to be inspected behind the tail walls. He stated that the bottom picture represented what the port would look like later in the year.

Co-Chair Stedman asked for further description of the difference in the construction diagrams. He wanted to know if it was a \$20 million appropriation or a \$320 million appropriation. TODD COWLES, PORT ENGINEER, PORT OF ANCHORAGE, responded that the change would have a significant effect. He stated that the undertaking would prove the insulation and delay the project.

Co-Chair Stedman surmised that the \$20 million request from the governor would provide only demolition and reconstruction. Mr. Cowles agreed.

Co-Chair Hoffman pointed out that the municipality of Anchorage requested \$20 million, not \$320 million. Mr. Cowles agreed.

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Governor Sheffield displayed slide 23: "The Expansion Project is moving forward with clear changes in place." He pointed out the specific changes: A new Project Oversight Committee has been formed to provide clear and timely direction to the Contractors and quickly address issues as the project moves forward. The Committee consists of key decision makers from MARAD, the Municipality and the Port, with participation by ICRC, the project design team PND, the Corps of Engineers and others as needed.

- Additional financial protection will be in place to assure the work is completed on time with high quality workmanship.
- An entirely new Quality Assurance and Quality Control process will be implemented to catch problems early and guarantee high quality workmanship.
- A detailed evaluation of the contract structure between MARAD, ICRC, PND and subcontractors will be undertaken to insure there are clear lines of responsibility and accountability.
- The nature and extent of the affected areas will be documented, analyzed and subjected to an independent/forensic review.
- The Port will implement an annual accounting of all expansion funds and associated work that will be published on our website.

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Governor Sheffield commented that the ports are essential to Alaska's economic future. The finance plan is aggressive but necessary. He pointed out that the port of Alaska is the hub of the state. He noted that the system works, and failure was not an option.

Senator Olson wondered why the customers were not pushing their ability to use the port. Governor Sheffield responded that the tariff reflects increases in real estate. No burden on initial costs.

Senator Olson wondered if the customers might fund the project. Governor Sheffield mentioned AIDEA and others who can help.

Senator Olson asked about the Kabata Bridge. He wondered if the land use and development of the bridge would see. Governor Sheffield answered that a permit from the corps of engineers would be necessary.

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AT EASE

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RECONVENED

Co-Chair Stedman welcomed the presentation of the Port Mackenzie Rail Extension.

ELIZABETH GRAY, ACTING BOROUGH MANAGER, MATSU BOROUGH, that the extension of the Mackenzie rail would diversify Alaska's economy. She stated that there were 3000 direct and indirect in induced jobs projected from construction of the railway. She stated that 4000 jobs would be added to the mining development along the rail line. She furthered that 3500 jobs would be added in the industry-development of Port Mackenzie. She hoped to receive an additional 35 million in the current budget, so there an aggressive construction schedule could continue.

JOE PERKINS, EXECUTIVE PROJECT MANAGER, PORT MACKENZIE RAIL EXTENSION, presented a PowerPoint Presentation: "Port Mackenzie Rail Extension." He showed slide 1, which represented an aerial view of the Port Mackenzie. He stated that there was an eight area extension that had been added since the photo was taken. He stressed that the Port Mackenzie extension was a project of statewide significance and benefit. It would provide additional employment to many Alaskans, and would allow industry to development resources which would help diversify the Alaska economy.

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Mr. Perkins displayed slide 2: "Mission." He stated that the mission of the project was to contribute to the diversification of Alaska's economy; provide interior Alaska with a closer, less expensive outlet to tidewater

for export of natural resources; and develop a new industrial and economic engine for the Alaska economy.

Mr. Perkins showed slide 3: "How to Implement the Mission": provide less expensive, more efficient rail transportation to deep water port, 147 miles closer to tidewater; effectively use rail loop, road, conveyor, barge dock, deep water dock, terminal/offices building infrastructure to provide for export of bulk materials; and wisely use and develop the Port Mackenzie Industrial District, which was 8,940 of industrial zoned land adjacent to 1,130 acres of Borough owned tidelands for commodity transport, storage and related services.

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Mr. Perkins discussed slide 4: "Port Mackenzie." He stated that the slide displayed a view of the Port Mackenzie district. He stated that there would not be a conflict of residential development with port operations. He stated that it was important for the land to be dedicated to the port district.

Mr. Perkins displayed slide 5: "Business Objectives." He stated that the port business objectives were to develop infrastructure to support the mission. He specifically highlighted the status of projects within the port development. He furthered that it was important to complete the port master plan, and pointed out that the borough assembly had adopted the master plan in January 2011, and the streamlined lease procedure would be complete in June of 2011.

Mr. Perkins showed slide 6: "Barge Dock Expansion." He pointed out the area above the building pictured, and stated the area was dedicated to an 8-acre barge facility. Sixteen acres would be utilized, because of a \$3 million EDA grant and the borough provided over \$1 million worth of material. He also pointed out that the legislature had appropriated \$750,000 in the year prior to complete the dock. He stressed that Port Mackenzie could be expanded further up the channel, if there was a need to do so in the future.

Mr. Perkins discussed slide 7: "Business Objectives, Continued." He pointed out some more business objectives, which included marketing the port, developing a customer

base, and establishing a solid export base by rail through the port.

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Co-Chair Stedman requested a highlight of the business commitments. Mr. Perkins replied that very few people would commit money, when the project is not yet solidified. He stated out that the commitments were not solid in paper, but felt that a group of people had shown interest in leasing land. He stressed that the land would not be worth much until there was a rail extension. He furthered that once people saw that there was development in progress, they would commit to business.

Co-Chair Stedman wondered if the customers might commit to business, if they saw that there was a commitment to complete the rail extension. Mr. Perkins replied that lease holders already exist, but felt that two more firms would sign leases with the borough. He did not know for sure if the firms would export goods, but expressed that their decision to export goods would be contingent on rail extension construction.

Co-Chair Stedman wondered if Mr. Perkins could obtain written commitments from customers. Mr. Perkins replied that he would try to obtain that documentation, but felt unsure as to how many customers would agree.

Co-Chair Stedman stressed that the committee would like to see that type of documentation.

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Co-Chair Hoffman wondered what potential customers were in mind. Mr. Perkins stated that he had a list of potential customers. Co-Chair Stedman requested correspondence between potential customers and the borough or the committee.

Senator Egan wondered if the Healy coal was going to Seward. Mr. Perkins replied that Seward Port would be maxed out in coal, and it was the hope that the rail extension would allow for an extra 2 million tons of coal to be exported.

Co-Chair Stedman stressed that the railroad might be able to give more specifics to the concern of coal transport.

Mr. Perkins displayed slide 8: "Imports and Exports. Winter/Summer Operations." He stated that the port was a 12-month port.

Mr. Perkins showed slide 9: "Existing Customers." The customers that have already leased land include Alutiq Manufacturing, module construction; Klondike Concrete, cement import; NPI, bulk natural resource export; Tri-Metal International, metal export; PacArctic/Koniag, transportation logistics; and Central Alaska Energy, fuel farm.

Mr. Perkins displayed slide 10: "Current Business." He stated that current port business dealt with modular homes, cement, and test loading of coal.

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Mr. Perkins discussed slide 11: "Examples of Interested Customers." Some examples of interested customers included Usibelli Coal; Exxon; Conoco Phillips; British Petroleum; Trans Alaska Pipeline; JP Power, Japan; NANA; CH2MHill; Fort Knox, gold mine; Shorty Creek, copper mine; Livengood Gold; Prospect Copper; Nenana Native Corporation; Doyon Limited; and the United States Military.

Co-Chair Stedman requested a chart detailing the potential uses, capital expenditures, construction schedule, an estimated time of completion, and other documents that would assist the committee in understanding the full cost of the port and its revenue generation.

Senator McGuire added that she would like to see an estimated cost to bring the current infrastructure up to standard. Mr. Perkins replied that they were specifically requesting money for a railroad.

Co-Chair Stedman stressed that there was always a concern of cost when using money from the state treasury.

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Co-Chair Hoffman queried anticipated tonnage and product for the potential interested customers. Mr. Perkins agreed to provide that information.

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Mr. Perkins showed slide 12: "Deepest Draft Vessel Ever in Cook Inlet." He stated that there was a test shipment of coal that Usibelli Coal Mine participated in. He explained that the cape-sized vessel came from Seward to Port Mackenzie to test the conveyor system.

Co-Chair Stedman wondered if it was at low-low tide or mean-low tide. Mr. Perkins replied that it was at mean-low tide.

Co-Chair Stedman wondered if there were any silting issues at the port. Mr. Perkins replied that the current port precluded siltation, and no dredging was required.

Co-Chair Stedman wondered if the corps of engineers was involved in modeling. Mr. Perkins replied that the corps of engineers had looked at it, but the depth has not changed.

Co-Chair Stedman requested a letter from the corps of engineers verifying the depth of the port. Mr. Perkins agreed to provide that information.

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Mr. Perkins discussed slide 13: "Rail Extension uses During First Decade." He stated that rail extension uses would include coal exports; sand and gravel aggregates; petroleum products; natural gas pipeline; lime; wood products; military transport; and minerals.

Mr. Perkins displayed slide 14: "Prominent Alaska Projects." He stated that the Port Mackenzie Rail Extension supported the Susitna Dam; World Class Fairbanks/Livengood Cement Plant; any natural gas pipeline alternative; and and upgrade to Interior and South Central Railbelt intertie.

Mr. Perkins showed slide 15, and explained that the rail loop would look similar to the loop showed at Healy. He pointed out that coal could be stored in the middle or on either side of the rail.

Mr. Perkins discussed slide 16: "Project is on Schedule and Under Budget." He explained that the total capital invested would be \$62.5 million, and the funds needed for the current year were \$55 million. He furthered that the estimated funds needed to complete the rail extension project was \$156 million, and the total estimated cost of the rail extension was \$218.5 million with a potential return to the state of over \$16 billion.

Co-Chair Stedman wondered how much money was in the current governor's proposed budget. Mr. Perkins replied that there was \$20 million in the budget.

Co-Chair Stedman wondered how much additional money was requested. Mr. Perkins clarified that there was a request of \$35 million to stay on schedule.

Co-Chair Stedman surmised that there was a need for \$55 million in the current year. Mr. Perkins furthered that there was a need for \$60 million in the following year's budget to complete the embankment, and \$41 million in the next year. He concluded that the total cost to the was \$218.5 million, with current funds of \$62.5 million, so there was approximately \$156 million needed to complete the process.

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Mr. Perkins showed slide 17, and explained that the rail loop would be completed by fall 2011, and the first five miles of rail extension would begin construction in late summer 2011.

Co-Chair Stedman wondered that if the railroad would be used upon completion. Ms. Gray replied that Mr. Aadneson would be able to answer that question.

Mr. Perkins discussed slide 18: "ISER Benefit Cost Assessment of Rail Extension." He stated that ISER had completed the cost/benefit analysis of the project in 2008. He stated that there was a \$275 million cost, rather the present cost of \$218 million. He stated that the analysis was based on transportation cost, with no consideration for jobs or community input. He stated that the cost was at \$301 million with the benefit of \$572 million, with a cost/benefit ratio of 1.7. He stressed that many entities

would be pulled out, with the cost/benefit still exceeding one.

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DR. PAUL METZ, PROFESSOR OF GEOLOGICAL ENGINEERING, UNIVERSITY OF ALASKA, discussed slide 19. He stated that the slide displayed mineral occurrences along the route of the existing rail line.

Co-Chair Stedman stressed that he wanted information about whether mining companies would use the rail. Dr. Metz referred to some historical data and stated that mining data from the rail belt was examined in the 1970s. He stressed that world class gold mine was discovered near Fairbanks in 1980, and stressed that the mining industry had spent millions of dollars in development and exploration. He furthered that without Fort Knox, there would be little development in that region. He stressed that 85 percent of the gold was not in production, because there was no infrastructure.

Co-Chair Stedman stressed the need for documentation from the companies declaring the use of the rail extension, if it were built.

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AT EASE

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RECONVENED

Co-Chair Stedman welcomed everyone back, and stressed the desire to review and highlight the financial implications of the appropriation requests. He felt some of the presentation would be more appropriate for the Resources Committee.

CHRIS AADNESEN, CHIEF EXECUTIVE OFFICER, ALASKA RAILROAD CORPORATION (AARC) showed slide 21: "Port Mackenzie Rail Extension Costs." He explained that the fixed baseline maintenance costs of the project would be about \$150,000 per year. He stated that the variable costs would be covered by the freight rate. He explained that the capital replacement costs would be properly constructed, and capital costs would be low in the initial years on a new track structure; the capital renewal cycle would begin in

20 to 30 years for ties, and it would be longer for rail depending on traffic volume.

Mr. Aadnesen discussed slide 22: "ARRCs Support for Port Mackenzie." He explained that AARC supported the Port Mackenzie Rail Extension Project.

Co-Chair Stedman queried the Usibelli Mine interest, and whether or not they are contributing any money to the project. He wondered if there were firm commitments from Usibelli Mine. Mr. Aadnesen replied that Usibelli was currently attempting to gain permitting in Healy, and have an active capital program to build their capability of out-loading of trains towards Fairbanks. He added that Usibelli had a feasibility study to start running coal out Wishbone of over 500 tons per year. He added that Usibelli was planning to truck coal to Port Mackenzie.

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Co-Chair Stedman wondered why Usibelli did not have AARC finance the extension. Mr. Aadnesen replied that AARC was not able to finance the project.

Co-Chair Stedman noted that he saw no private entity that had offered to finance the extension. He expressed concern that there might not be customers, because there was no independent financial backing. Mr. Aadnesen replied that Usibelli was the only client that expressed immediate desire to use the Port. He felt that the volume from Usibelli was not enough for the AARC to finance the project, but the maintenance cost on AARC was acceptable.

Co-Chair Hoffman referred to page 18 and felt that a cost/benefit assessment was very positive from ISER, and felt that Mr. Aadnesen's interpretation was not accurate. Mr. Aadnesen replied that he did not know about any other commitment, other than Usibelli.

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Co-Chair Hoffman noted that it was not known when the mines would be opening, but remarked that \$150,000 with further costs of \$150 million.

Co-Chair Hoffman remarked that there would be "great uncertainty," not "uncertainty."

Co-Chair Stedman requested further information regarding detailed commitments and financial considerations.

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Senator Thomas understood the need for infrastructure, and queried issue of Wishbone Hill. He remarked that there was a possibility of displacing the trucks, and wondered if the improvements were connected to the existing spur. Mr. Aadnesen stressed that the line would not be built, unless there was a guarantee of coal.

Senator Thomas wanted more information regarding trains and ships. Senator Thomas agreed to develop that analysis with the borough

Mr. Aadnesen stated that trains could easily replace the trucks.

Senator Olson wondered if the communities had expressed support for the project. Mr. Berkin replied that support was widespread.

Co-Chair Stedman wondered, of the supporters, who had financial impact. Mr. Berkin replied with none.

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Co-Chair Stedman understood that there was an issue of time sensitivity related to building a rail for military purposes. Mr. Aadnesen replied that there were time constraints in funding: \$44 million.

Senator Thomas queried the cost benefit analysis of the Red Dog mine. Dr. Metz replied that he was not aware of any study.

Mr. Aadnesen stated that AARC supports the project, and the railroad had the capacity to absorb traffic currently going to Port Mackenzie. He added that AARC had been tracking other sorts of economic opportunities related to rail.

Co-Chair Stedman remarked that other mines had been built after rail had been and wondered if it would survive on strictly grant money. Mr. Aadnesen did not know enough about how AIDEA worked to answer the question.

Senator Thomas queried any large rail expansions in the lower 48 that were funded by the federal government. Mr. Aadnesen replied that there were all kinds of funding over history, and there were many public and private partnerships in history.

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AT EASE

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RECONVENED

TOM COCHRAN, MAYOR, SKAGWAY, presented a PowerPoint presentation "Why the time is now" (copy on file).

Mr. Cochran began with slide 1. He stated that the slide displayed a prediction of the 14.2 percent decline in population in Southeast Alaska. He pointed out that there should be economic development in Southeast Alaska.

Mr. Cochran presented slide 2. He stated that the slide represented an AIDEA facility that was completed in 2008.

Mr. Cochran displayed slide 3. He pointed out that there was an old wooden pier, and a cruise-ship dock. He stated that 2010 saw 42 cruise-ship calls in Skagway.

Mr. Cochran discussed slide 4. He stated that the conveyor belt in the photo was built in the 1960s. He continued to discuss slides 5 through 9.

Co-Chair Stedman requested further explanation of slide 9. Mr. Cochran explained that the green portion of the slide represents the area that the municipality proposed a 50 percent match of \$5 million to the state's funds. He stated that White Pass and Yukon Route Railroad had committed \$2 million to the red portion. He explained that the purple area represented AIDEA.

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Mr. Cochran displayed slide 10. He explained that the purpose of the project was to accommodate two industries: the cruise industry and the mineral industry. The project would allow a cruise ship and a berth ship to berth simultaneously.

Mr. Cochran stated that there were some plans for mega cruise ships that would be docking in Alaska in 2012, and the project would allow more space for those ships.

Co-Chair Stedman requested a synopsis. PAUL TAYLOR, SELWYN-CHIHA MINING referred to slide 9, and stated that yellow and purple areas were his focus of interest. He explained that since those facilities were owned by AIDEA, the deal was to be made with AIDEA. He stated that negotiations were in place for \$40 million capital improvements.

Co-Chair Stedman wondered when the firm was expecting construction to begin and end. Mr. Taylor replied that the first permits would be filed 10 months from this time. He anticipated construction to begin in late 2012, for production in early 2014.

Co-Chair Stedman clarified that AIDEA would be financing the project. Mr. Taylor replied that AIDEA owned the properties, and AIDEA would be reimbursed for modernizing the buildings. He stated that they would also pay a tonnage tax.

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Co-Chair Hoffman stated that the state's budget request only included a one-time increment of \$10 million. He wondered if Mr. Cochran agreed with that. Mr. Cochran agreed.

Co-Chair Hoffman also pointed out that the total costs were outlined at \$44.4 million, and wondered if the rest would be sought from how the additional money would be collected. Mr. Cochran replied that the money would be from municipal bonds or private-public partnerships.

Co-Chair Hoffman wondered if the financial commitments were already in place. Mr. Cochran replied that there were not current commitments, but some interested customers.

Co-Chair Stedman wondered where the remaining funds would come from. Mr. Cochran looked at slide 9, and stated that the green area represented \$15 million with a \$10 million appropriation that the municipality from the state. He stated that Skagway was currently looking for much less than \$44.4 million.

Co-Chair Stedman queried AIDEA involvement. MARK DAVIS, ECONOMIC DEVELOPMENT, ALASKA INDUSTRIAL DEVELOPMENT and EXPORT AUTHORITY stated that AIDEA believes that their portion of the project would be in the range of \$65 million. He stated that there were many conversations about financing.

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Co-Chair Stedman wondered the status of the \$44.4 million grant. Mr. Davis replied that the grant was not granted to Skagway.

Co-Chair Stedman wondered if there were any issues without that grant. Mr. Davis felt that a business plan could be built with the cooperation of the mines, and it would pay for the improvements.

Senator Olson wondered what the history of the businesses AIDEA had been involved in. Mr. Davis replied that there was a bond that was issues in anticipation of the mine opening with the agreement that the mine would use the facility.

Co-Chair Stedman wondered if Port Mackenzie had approached AIDEA for help with their project. Mr. Davis replied that there was no formal request from Port Mackenzie.

Co-Chair Hoffman wondered if the new make-up of the AIDEA board had every seat filled. Mr. Davis did not know.

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Senator Olson wondered if the port was not developed, there could be issue of how the ore would get out, and he queried other options. Mr. Taylor replied that they would look at Haines and Stewart.

Co-Chair Stedman requested letters of support from the community of Skagway. Mr. Cochran agreed to provide that information.

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ADJOURNMENT

The meeting was adjourned at 2:57 PM.