

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM

March 12, 2013
11:20 a.m.

MEMBERS PRESENT

Representative Shelley Hughes, Chair
Representative Bob Herron
Representative Pete Higgins
Representative Kurt Olson
Representative Lance Pruitt
Representative Harriet Drummond (via teleconference)
Representative Geran Tarr

MEMBERS ABSENT

Representative Lynn Gattis
Representative Craig Johnson

COMMITTEE CALENDAR

OVERVIEWS(S): ALASKA WATER MANUFACTURING AND EXPORT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

GINGER BLAISDELL, Staff
Representative Shelley Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented two short videos on the water export industry in Alaska on behalf of Representative Hughes.

GREG WOLF, Executive Director
World Trade Center Alaska (WTCAL)
Anchorage, Alaska

POSITION STATEMENT: Provided background information and answered questions during the discussion on Alaska water manufacturing and export.

TERRY TRAPP, Chief Executive Officer
True Alaska Bottling (TAB)
Sitka, Alaska

POSITION STATEMENT: Participated in the discussion of Alaska water manufacturing and export.

LYNN ALLINGHAM, Chief Executive Officer
Alaska Brands Group LLC. (ABG)
Anchorage, Alaska

POSITION STATEMENT: Participated in the discussion of Alaska water manufacturing and export.

MICHAEL WALTON, Natural Resource Manager
Water Resources Section
Division of Mining, Land and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of Alaska water manufacturing and export.

ACTION NARRATIVE

[11:20:05 AM](#)

CHAIR SHELLEY HUGHES called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 11:20 a.m. Representatives Drummond (via teleconference), Tarr, Higgins, Pruitt, and Hughes were present at the call to order. Representatives Herron and Olson arrived as the meeting was in progress.

OVERVIEWS(S): ALASKA WATER MANUFACTURING AND EXPORT

[11:20:52 AM](#)

CHAIR HUGHES announced that the only order of business would be overviews on the manufacturing and export of water from Alaska.

[11:21:02 AM](#)

GINGER BLAISDELL, staff to Representative Shelley Hughes, Alaska State Legislature, informed the committee Chair Hughes began looking at water as an export and an industry for Alaska after a presentation from World Trade Center Alaska on undeveloped industries. Water as an export, both as bulk and bottled water, is an industry that has had some success in Alaska. Ms. Blaisdell said there has been media interest in proposed water

exports from Sitka. She provided two short videos, one of which was a short excerpt from an interview with Mr. Garry White, Executive Director, Sitka Economic Development Association, Sitka, Alaska.

[11:22:48 AM](#)

A video was presented from 11:22 a.m. to 11:24 a.m.

[11:24:55 AM](#)

A video was presented from 11:24 a.m. to 11:28 a.m.

[11:29:09 AM](#)

MS. BLAISDELL described a 30-inch diameter pipe which runs from Blue Lake to tidewater in Sitka. This infrastructure was built with a state grant and is ready for future development.

CHAIR HUGHES asked for the cost and age of the pipe.

MS. BLAISDELL was unsure.

[11:29:59 AM](#)

GREG WOLF, Executive Director, World Trade Center Alaska (WTCAK), stated that water is blue gold for Alaska because unlike some other natural resources, water is abundant and renewable. Alaska's small population and small agricultural industry means there is a great supply of water for commercialization. Mr. Wolf recalled that Alaska companies interested in exporting water have been working since the early 1990s, at that time proposing to export bottled water to Japan. He clarified that WTCAK considers all exports to be to foreign countries, however, there are possible markets in the Lower 48. An obstacle to water exports is the economy of scale needed to produce a cost per unit that is competitive in the market. This is due in part to the small customer base in Alaska. Also, transportation costs to ship overseas or to the Lower 48 are challenging. On the other hand, the interested parties today are larger, better capitalized, and designed for exporting their products. He opined the opportunities are large although there is a lot of competition and there are other business challenges.

[11:36:08 AM](#)

CHAIR HUGHES asked for examples of successful water exporters.

MR. WOLF observed bottled water from other countries is available indicating that bottled water operators from around the world have found success. In further response to Chair Hughes, he observed that bottled water comes from many locales, and offered to further research his response.

[11:38:27 AM](#)

TERRY TRAPP, Chief Executive Officer, True Alaska Bottling (TAB), stated his company has been working in Sitka for 10 years and in 2006 acquired a bulk water license from the City and Borough of Sitka for the export of freshwater. The company has been working on developing bulk water for export since then, however, initial interest in contracts for bulk water was low because of the cost of transportation, but now interest is growing due to drought and a diminishing supply of freshwater around the world. With potential customers in the Middle East, Mexico, and China, he said the costs are now justified, although the costs of developing the bulk water industry remain daunting. For example, a loading station capable of accommodating vessels 1,000 feet in length is needed in Sitka, and the large vessels needed to make shipping economic are not available. Mr. Trapp said TAB is looking to partner with a shipping line to acquire an appropriate vessel. In addition to the loading station in Sitka, receiving infrastructure with food-grade piping, storage facilities, and bottling plants must be developed. A voyage from Sitka to the Middle East takes twenty-eight to thirty days thus one vessel would only make six voyages per year. His company has made many investments to seek funding and meet the economic challenges, and is very committed to the bulk water business. Mr. Trapp pointed out that his company is forging a new industry and a lot of capital is needed to make this opportunity a reality.

[11:44:42 AM](#)

CHAIR HUGHES asked how much a large vessel would cost.

MR. TRAPP advised a vessel 900 feet to 1,000 feet in length and 125 feet wide that could carry approximately 35 million to 38 million gallons would cost from \$60 million to \$70 million.

CHAIR HUGHES then asked about the necessary permitting process to allow TAB access to the water.

MR. TRAPP said TAB has not applied for the permits that will be required, but has renewed its contract with the City and Borough of Sitka and is in the process of lining up funding and customers, although attracting customers is not difficult. The infrastructure is a difficulty in that existing facilities that have been used for oil cannot be used for potable water. His company is close to submitting plans to the city and will then proceed with permitting. Mr. Trapp restated that one of the key factors is developing a transportation system that is economic when compared to the cost of desalinization. In further response to Chair Hughes, he said closer markets would be northern China and Mexico.

[11:51:05 AM](#)

CHAIR HUGHES asked whether the Middle East is the most interested.

MR. TRAPP explained that China has severely contaminated ground water but areas of the Middle East are devoid of water. In further response to Chair Hughes, he estimated shipping of bulk water would begin within the next two years.

[11:52:16 AM](#)

LYNN ALLINGHAM, Chief Executive Officer, Alaska Brands Group LLC. (ABG), informed the committee ABG is a locally-owned and operated company that bottles water from Eklutna Lake in small pack polyethylene terephthalate fiber (PET) plastic bottles. The company has sales throughout Alaska and exports to Korea, Japan, Taiwan, and soon to China. Water from Eklutna Lake is unique in that it is alkaline and better for health. She said value is added to the water by filtering, disinfecting, and packaging in Alaska, and the company is providing good manufacturing jobs. Challenges to ABG's success were raising capital, regulations, and permitting. Ms. Allingham urged for more incentives to attract small business investment. The greatest barrier to the company's success is high freight costs. Ms. Allingham concluded that ABG is utilizing an abundant, renewable, natural resource to produce a value-added product.

[11:54:26 AM](#)

CHAIR HUGHES asked whether there were problems in the permitting and regulation processes.

MS. ALLINGHAM relayed the construction permitting process in Anchorage is very convoluted and burdensome due to the interpretation of the state building code. In addition, the permitting process for becoming a water bottler is obtuse and antiquated; in fact, the agency confused U.S. Environmental Protection Agency (EPA) and U.S. Food and Drug Administration (FDA) regulations. In further response to Chair Hughes, she said the agency referred to was the Department of Environmental Conservation.

REPRESENTATIVE HERRON asked if there is a model state for Alaska to follow.

[11:56:45 AM](#)

MS. ALLINGHAM advised that California, Texas, and New York have bottled water regulations that are separate from water treatment regulations; however, not all are an improvement. She suggested that the International Bottled Water Association is a good resource for the industry.

CHAIR HUGHES offered the committee's assistance.

MS. ALLINGHAM restated the importance of economic incentives for investment, such as tax credits.

[11:59:00 AM](#)

MR. WOLF said Alaska Glacier Products LLC. (AGP) is another bottled water company that has a different approach to marketing than ABG. Its approach is as a co-packer, providing the bottling capacity for another company - such as a grocery store chain - to market its private brand or label.

CHAIR HUGHES asked the Department of Natural Resources (DNR) to explain the permit process for a business to bottle and export water.

[12:02:10 PM](#)

MICHAEL WALTON, Natural Resource Manager, Water Resources Section, Division of Mining, Land and Water, Department of Natural Resources, said his section issues water rights under the Alaska Water Use Act. Alaska has addressed exporting water from the state in AS 46.15.035, the statute that relates to exporting water from one of the six hydrologic units in the state. The statute has four main components. The commissioner

of DNR must find the water to be exported is surplus to the needs of that unit, there must be satisfaction of AS 46.15.080, and there is a public interest element. If the water is approved for export, the permittee must pay a water conservation fee to the state and, if the water source is fish-bearing, a reservation must be established to protect fish and fish habitat. Mr. Walton advised that a business owner interested in the export of water should review AS 46.15.035 and contact the water resources section. In further response to Chair Hughes, he said he was unsure of how long an application would take - if there are no fish, the process is expedited. For example, permits to Aleut Corp. for water in Adak took about one year. Permits to appropriate water are not the final water rights.

[12:08:31 PM](#)

CHAIR HUGHES asked whether the Adak permits involved fish.

MR. WALTON indicated fish surveys were needed on the lakes and outflow streams and fish reservations were required.

CHAIR HUGHES asked all of the presenters to speak to the most significant hurdle to their businesses and what action the legislature can take.

[12:10:21 PM](#)

MS. ALLINGHAM offered to work with DEC on proposed regulations or legislation for a bottled water industry in Alaska.

CHAIR HUGHES recalled proposals to export ice and to build a water pipeline.

MR. WOLF stated that at one time bags of glacial ice were transported to Japan for expensive bar drinks. Furthermore, Governor Hickel was ahead of his time and proposed transporting water out of state in a pipeline.

[12:16:46 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 12:16 p.m.