

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 17, 2015

1:09 p.m.

**MEMBERS PRESENT**

Representative Neal Foster, Co-Chair  
Representative Benjamin Nageak  
Representative Louise Stutes  
Representative Matt Claman  
Representative Dan Ortiz

**MEMBERS ABSENT**

Representative Shelley Hughes, Co-Chair  
Representative Charisse Millett

**COMMITTEE CALENDAR**

OPEN DISCUSSION WITH PRINCE RUPERT MAYOR~ LEE BRAIN

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

LEE BRAIN, Mayor  
Prince Rupert, British Columbia  
Canada

**POSITION STATEMENT:** Testified during an open discussion of proposed projects in Prince Rupert.

MIKE NEUSSL, Deputy Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during an open discussion of projects in Prince Rupert.

**ACTION NARRATIVE**

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**CO-CHAIR NEAL FOSTER** called the House Transportation Standing Committee meeting to order at 1:09 p.m. Representatives Claman,

Nageak, Stutes and Foster were present at the call to order. Representative Ortiz arrived as the meeting was in progress.

**Open Discussion with Prince Rupert Mayor, Lee Brain**

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CO-CHAIR FOSTER announced that the only order of business would be an Open Discussion with the Prince Rupert Mayor, Lee Brain.

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LEE BRAIN, Mayor, Prince Rupert, British Columbia, stated he is the new mayor of Prince Rupert. He said the purpose today is to discuss the Alaska Marine Highway System (AMHS) and to present an opportunity that may help with the fiscal situation in Alaska. Prince Rupert was one of the founding fathers of the marine highway system in 1958, at a time when the intention was to have British Columbia (BC) ferries run to Prince Rupert and Alaska ferries run to Prince Rupert, creating a Canadian/American "gateway" system.

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MAYOR BRAIN explained that British Columbia lost its pulp mill just as Ketchikan lost its mill, and British Columbia's fishing industry has also declined so Prince Rupert is no stranger to hard times. He has joined and is part of the legacy of the Alaska and Prince Rupert collaboration. He asked to report some happenings in Prince Rupert, such that it has approved a \$250 million continuing facility expansion for Prince Rupert, which currently is the fastest growing port in all of North America. He highlighted that Prince Rupert is working on \$60-100 billion in liquefied natural gas facility proposals. Thus Prince Rupert is poised for an economic boom, which makes it a very exciting time to be in Prince Rupert, especially since not much development has happened in the area in the past twenty years.

MAYOR BRAIN said that Prince Rupert believes an opportunity exists for Alaska due to three major liquefied natural gas proponents: ExxonMobil Corporation, Woodside, an Australian

liquefied natural gas company, and Nexen Energy, a subsidiary of CNOOC, China's oil company proposed project.

MAYOR BRAIN briefly pointed out the geography just east of Prince Rupert to the First Nations reserve of Lax-Kw'alaams/Port Simpson and Metlakatla, a First Nation community that lies just across the harbor from Prince Rupert. Prince Rupert has an airport and a BC ferry system, but each of these three communities have separate ferries to serve them. However, Prince Rupert has been working on the Tsimshian Access Project for the past twenty years, a project that will create a road network to connect the entire loop, which would allow people to drive to the airport and connect the First Nation communities to the Prince Rupert mainland to open up access.

MAYOR BRAIN said that due to the potential liquefied natural gas project that Exxon, Woodside, and Nexen propose, it now seems feasible to create the road system to connect the communities. These major oil and gas companies have initiated a major LNG "GO" planning central logistical coordination in the Prince Rupert area to get ready for growth. He anticipated that the potential investment by Exxon, Woodside, and Nexen will be significant.

MAYOR BRAIN recalled that years ago, Alaska once considered moving the Alaska Marine Highway System (AMHS) from Prince Rupert to Port Simpson. He explained that Ketchikan to Port Simpson would be about a three-hour ferry route, whereas the current AMHS route is a six-hour run, since it is necessary to go to Prince Rupert. By June 2015, a decision will be made on one of the liquefied natural gas facilities and if that happens this road network could be built within the next year or two.

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MAYOR BRAIN said that this leads him to extend an invitation to consider moving the Alaska ferry terminal from Prince Rupert to Port Simpson/Lax-Kw'alaams. He said that doing so could increase trade, commerce, tourism, and create new economic opportunities for Alaska and Canada. For example, Prince Rupert could send its ferry to Ketchikan to be refitted in the new

shipyard. Further, shaving ferry route times will also reduce costs. He anticipated it is possible to have a plan available for the legislature's review in May.

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MAYOR BRAIN reported that Prince Rupert does not necessarily agree with [Canada's] federal government's decision with respect to the "Buy America" provisions. Finally, he directed attention to the Prince Rupert delegates from various organizations who also wish to advocate for a potential opportunity that may materialize between Prince Rupert and Alaska.

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REPRESENTATIVE CLAMAN asked for clarification on the "Buy America" issue. He recalled the issue was related to steel and port construction issues.

MAYOR BRAIN offered his belief that a "little bit of political posturing" has been happening, but once the October election in Canada is held, the current project to renovate the Alaska marine highway terminal in Prince Rupert [will move forward].

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REPRESENTATIVE CLAMAN interjected by asking for more detail.

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MAYOR BRAIN related his understanding that Alaska wanted to use the "Buy American" provision in its contract with Prince Rupert for the marine terminal renovation. However, that meant using American steel and contracting to build the facility since Alaska is funding the project, he said, but when Canada received the notice, the federal government objected to using the "Buy American" provision since it would like to use local contractors and materials in projects in Canada. The dispute, which he believed related to an America-wide policy that requires use to American steel, goods, and services. Again, since the project

is on Canadian soil and on [Canadian] federally-regulated land, the Canadian federal government didn't agree to the provision.

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REPRESENTATIVE CLAMAN recapped his understanding, that Alaska is trying to upgrade its port, that U.S. federal funds are involved, which requires U.S. American made materials and labor, but the Canadian government at a local or federal level did not agree to use foreign labor and materials on a port on Canadian soil.

MAYOR BRAIN clarified that it is a Canadian federal decision since Prince Rupert doesn't have any jurisdiction over the process. He said Prince Rupert is actually caught in the middle of this dispute, which is one reason why Prince Rupert came to Juneau to advocate at a local level. First, Prince Rupert values its relationship with Alaska and does not believe it is critical that the "Buy America" provision is used. Instead, Prince Rupert seeks a flourishing local economy and an enhanced, more efficient relationship with the government in Alaska, in Ketchikan, and Southeast Alaska.

MAYOR BRAIN said that Prince Rupert would like to outline a potential solution to the problem. Prince Rupert believes that if its road network can be constructed within the same timeframe as Alaska renovating its marine terminal that relocating the facility could create even greater access for Alaska. He characterized British Columbia as being Canada's gateway to Alaska. He didn't view it as being travel between Prince Rupert and Ketchikan as it is about improving access between Canada and Alaska. In fact, Prince Rupert wants to be the "on the ground logistical coordinators" on Alaska's behalf. He reiterated that Prince Rupert believes it can have a plan that will be ready by May to present to Alaska for its consideration.

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MAYOR BRAIN said that if there is ever a chance to change the paradigm of how Alaska and Canada coexist, [it is now]. Ultimately, Prince Rupert believes that the proposal will save

time and money and open up new trade and commerce opportunities on the ground, regardless of what the [Canadian] federal government is considering. After the [Canadian] federal elections are held in October, there will likely be a change in leadership. Thus Prince Rupert hopes to help find solutions.

MAYOR BRAIN reported that currently thousands of travelers travel between Prince Rupert and Alaska every year, which increases the economies of both areas. However, beginning in July there could potentially be only one {AMHS} weekly sailing, which would severely impact Prince Rupert's economy at a time when the community is working to grow and expand. He offered his belief that Alaska has an opportunity to capitalize on that growth and expansion, as well as for trade opportunities due to the strategic location in the Asia Pacific Rim, noting that Prince Rupert represents a three-day shorter trip to Asia. Given the potential port authority project in Prince Rupert, it could result in a more robust regional economy.

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REPRESENTATIVE CLAMAN said it sounds like he can't predict what the [Canadian] federal government will or won't do with respect to the US federal "Buy American" requirement.

MAYOR BRAIN answered that is correct.

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CO-CHAIR FOSTER understood a plan will ready for a presentation in May 2015. He asked whether it is possible to obtain a one-page summary, a white paper, next week. He further asked if he has any figures for the number of travelers going from Prince Rupert to Alaska. Finally, he asked Mayor Brain to introduce his delegation to members.

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MAYOR BRAIN introduced his delegation: John Farrell, the outgoing president of the Prince Rupert Chamber of Commerce; Scott Farwell, president of Tourism for Prince Rupert; Rosa

Miller, the incoming president of the Prince Rupert Chamber of Commerce; Herb Pond, Prince Rupert Chamber of Commerce and the previous mayor of Prince Rupert; and Maynard Angus, representing the Prince Rupert Port Authority.

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MAYOR BRAIN stated that the Port Simpson plan was previously proposed by Alaska so the documents are available. In addition, the Tsimshian Access Project is part of a 20-year plan in process so all of the engineering and design for the project has been completed, which he could share. Although the planning has been ongoing for many years, the timing seems right for Prince Rupert right now.

MAYOR BRAIN answered that 15,000 travelers use the ferry from Prince Rupert to Alaska, which could significantly grow with faster access and a much more efficient route. Further, many Canadians don't know that travel is possible to Alaska via Prince Rupert, which could change with marketing and branding Prince Rupert as Canada's gateway to Alaska.

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MAYOR BRAIN reviewed a small map distributed to members entitled "Prince Rupert." He pointed out Prince Rupert Harbor where Exxon Mobil's proposed project and facility will be built. If this occurs it will be the largest industrial project in North America, estimated to cost \$50 billion. The project would consist of a bridge, the beginning of the Tsimshian Access Project, with a new road constructed through the Prince Rupert Harbor. He pointed out Port Simpson on the second map, which illustrated the road to Port Simpson would be a 15 minute drive. Currently there a road exists, but it requires a five-minute ferry ride. In fact, Alaska is visible from Port Simpson, which is directly across from Ketchikan. He characterized the link between Port Simpson and Ketchikan as being a quick back-and-forth trip. He directed attention to the small map and highlighted the proposed Tsimshian Access Project. Under the plan, the road would go to Port Simpson and connect by bridge to the airport on Digby Island. The bridge design is finished and

would need a small deviation to include ExxonMobil Corporation's proposed port project. With respect to the logistical redesign, the good news for Prince Rupert is the potential investment of hundreds of millions in funding by six different companies who all need this access, in particular, the three aforementioned [oil and gas/liquefied natural gas] companies. These companies are discussing a potential investment of \$100-\$200 million each into the Prince Rupert area. Further, Prince Rupert will be presenting this plan to the province and to the federal government [Canada].

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MAYOR BRAIN characterized the economic climate as accelerating, with a substantial focus on Prince Rupert. He emphasized that Prince Rupert wants to add Alaska as promoters, too, since [Port Simpson] has the potential to save Alaskans money and time. This potential solution could work for Alaska, Canada, and Prince Rupert. He said, "The stars are kind of aligning so to speak at the moment for this to occur." He reiterated that Prince Rupert's intention is to present an opportunity - although nothing is set in stone at the moment - and he will prepare documents for the proposal to be considered. In the meantime, he hoped that Prince Rupert and Alaska could operate in "business as usual." Certainly, Alaska must proceed with its budget, but he hoped the Alaska Marine Highway System will continue with its regular schedule to allow Prince Rupert time to finalize its plans.

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MAYOR BRAIN recommended forming a small committee to continue this conversation and regularly hold dialogue. He suggested that this proposal could take [Prince Rupert and Alaska] to a new level regionally. He emphasized that Prince Rupert has always viewed Alaska as a partner, having had a great relationship since 1958. He acknowledged that he is a young mayor, but he is very interested in continuing this relationship.

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CO-CHAIR FOSTER asked for further clarification on who would serve on the small committee.

MAYOR BRAIN offered to have the House Transportation Standing Committee participate. Currently, Prince Rupert has commissioned KPMG to provide a logistical design and report. Once finished, he envisioned the committee will be able to identify time and cost savings, new facility costs, and leasing of the existing facility. He predicted that all of these details could be worked out in a short order and the entire plan could be solidified in anticipation of investment decisions that will occur in June 2015. The plan is called a "GO" plan since Prince Rupert hopes to hit the "GO" button on July 1, 2015. At that point all of the oil and gas companies, the province, the [Canadian] federal government, and Alaska could consider one central project, including engineering. While this is an audacious plan with a large scope, the types of investment coming to the Prince Rupert area could make it possible and that time is now.

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CO-CHAIR FOSTER wondered if the proposed working group membership would consist of a combination of legislators and DOT&PF staff, but that can be further discussed.

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REPRESENTATIVE ORTIZ apologized for his late arrival, noting he was attending a Southeast Conference meeting. He said the proposed Prince Rupert plan sounds interesting. He asked whether Mayor Brain could summarize time savings if the AMHS marine facility were to move to Port Simpson.

MAYOR BRAIN answered that it would be save approximately 3.5 hours in time and it will consist of a three-hour sailing to Ketchikan. Currently his delegation couldn't take ferry from Prince Rupert to Juneau without a one week delay due to the schedule. Thus, the delegation chartered a seaplane. Otherwise the delegation would need to fly to Vancouver with a stop in

Seattle before arriving in Juneau. However, if the vessel sailing was a three hour run, travelers could technically leave on a Friday morning and return on Sunday night. Of course, numerous factors must be considered with this proposal, including existing union contracts for the Alaska Marine Highway System. Still, with a potential three-hour sailing, the benefits can be enormous for both areas. Further, this could foster improved commerce and economic trade since the drive from Port Simpson to Prince Rupert would be a short 15-minute drive. Even though this would limit his tax base, it would significantly improve the regional transportation link, he said.

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REPRESENTATIVE ORTIZ asked whether the community supports this since it may have a negative impact on Prince Rupert, although he noted the road will create the basic infrastructure for Prince Rupert.

MAYOR BRAIN answered yes. He characterized the [proposed Port Simpson facility] as highly anticipated and welcome by all the stakeholders, particularly First Nations, who absolutely support road access to the mainland. Further, Prince Rupert wants road access to its airport. He concluded that a lot of pieces could be solved by this project. Further, it could set up Prince Rupert and Alaska for another 50 years of a great relationship.

REPRESENTATIVE ORTIZ said that growing up in Ketchikan he frequently traveled through Prince Rupert and his family has always valued the relationship between Ketchikan and Prince Rupert.

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CO-CHAIR FOSTER asked whether there would be a time savings from Prince Rupert to Seattle if the port was moved.

MAYOR BRAIN answered that the sailing from Port Simpson to Bellingham would be the same route.

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MIKE NEUSSL, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), stated that the Alaska Marine Highway System (AMHS) currently has a 50-year long-term lease with the existing ferry terminal building in the town of Prince Rupert. He indicated that the DOT&PF would need to review it in terms of a move to Port Simpson.

MR. NEUSSL reviewed the issue of the "Buy America Steel Act." He related his understanding that the DOT&PF put a project out to replace the wooden ferry terminal structure - the marine structure not the building - in Prince Rupert that was being funded by Federal Highway Administration (FHWA) as a cost-share with the state. As part of the federal funding, it required "Buy America Steel Act" to be included in the contract, which is what the Canadian federal government objected to; however, that act requires that all the steel be purchased and processed within the U.S. For example, for things such as galvanizing, bending, welding, and drilling, but it does not require U.S. labor to install it in Canada. In fact, of the bids received but not opened, three of the four were from Canadian companies and the fourth was from a U.S. company with a Canadian affiliate. Essentially the Canadian affiliate would have handled the project. However, the bids were not opened and the bid was canceled when the Canadian federal government implemented the Federal Extraterritorial Measures Act, which prohibited compliance with the "Buy America" act. He said this temporarily halted the project and it is still a pending issue.

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MR. NEUSSL, in terms of Port Simpson instead of [Prince Rupert] to Ketchikan, agreed it would shorten the running time; however, he was not certain of the mileage, but it would eliminate going around Digby Island. He clarified that the AMHS does not currently run directly between Prince Rupert and Bellingham. He explained that the runs are from Ketchikan to Bellingham and from Prince Rupert to Ketchikan.

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MAYOR BRAIN apologized that he wasn't fully aware of the details of the "Buy America" provision. He asked to leave the committee with a final message. In his experience, when the British Columbia (BC) ferries cut sailings mid-schedule, it impacted the entire tourism economy, in particular, for those who had prearranged schedules, as well as adversely affecting its reputation. He cautioned members to consider the impact on the system. For example, if the sailings for July 1 are cut, it may result in unintended consequences.

MAYOR BRAIN related his understanding that some Alaskans may not see the full benefits of this connection, but he characterized this proposal as a major economic generator for Alaska and Canada. He encouraged members to travel on the route to see the vital link that connects two economies. At the local level, it is important not only to Ketchikan and Prince Rupert, but also to British Columbia, Canada, and Alaska. Currently the American dollar is very strong so it is very good time to travel to Canada. He encouraged the [Alaska Marine Highway System] to continue on as normal while Prince Rupert accelerates its proposal process. He viewed the proposed [Port Simpson] project and the economic acceleration in Prince Rupert as providing an opportunity. He said if the "stars align" Prince Rupert hopes that there can be a collaborative effort to move forward. In closing, he said that Prince Rupert adamantly cares about Alaska, and he hopes that Alaska feels the same.

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CO-CHAIR FOSTER looked forward to receiving more information from Prince Rupert for the committee.

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:45 p.m.