

**ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON THE ARCTIC**

March 26, 2015

11:18 a.m.

MEMBERS PRESENT

Senator Lesil McGuire, Co-Chair
Senator Lyman Hoffman
Senator Gary Stevens
Senator Donald Olson
Senator John Coghill

MEMBERS ABSENT

Senator Cathy Giessel, Co-Chair
Senator Click Bishop

COMMITTEE CALENDAR

PRESENTATIONS: ARCTIC BUSINESS OPPORTUNITIES AND DEVELOPMENTS
AND PORT OF ADAK

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Presented "Arctic Business Opportunities and
Developments."

THOMAS MACK, President
Aleut Corporation
Anchorage, Alaska

POSITION STATEMENT: Presented "The Port of Adak."

LAYTON LOCKETTE, City Manager
Adak, Alaska

POSITION STATEMENT: Presented information about the Port of Adak.

ACTION NARRATIVE

[11:18:56 AM](#)

CO-CHAIR LESIL MCGUIRE called the Senate Special Committee on the Arctic meeting to order at 11:18 a.m. Present at the call to order were Senators Hoffman, Stevens, Olson, Coghill, and Co-Chair McGuire.

PRESENTATIONS: Arctic Business Opportunities and Developments and Port of Adak

[11:19:48 AM](#)

CO-CHAIR MCGUIRE announced the presentation on Arctic Business Opportunities and Developments.

GREG WOLF, Executive Director, World Trade Center Alaska (WTCA), presented "Arctic Business Opportunities and Developments." He noted it was his 17th year talking about WTCA. He said Alaska is facing a financial crisis and he used Chinese characters to say that a crisis can also be an opportunity.

He said that China is Alaska's largest trading partner, with trade totally \$1.4 billion last year. China is followed by Japan, South Korea, and Canada, all long-standing international trade partners. He said for the year 2014, trade equaled \$5.2 billion, the second highest on record.

MR. WOLF showed a graph of China's trade over ten years, depicting why China is the number one customer. He opined that the next step for China is to become an investor. He discussed Alaska's exports to China by commodity during 2014. Half of the exports are seafood.

He showed a graph of how trade has doubled over the past 20 years. It has gone from about \$2.5 billion to \$5 billion in the Alaska economy. There were only two down years, in 1998 as a result of the Asian economic crisis, and in 2008-2009 the Great Recession.

CO-CHAIR MCGUIRE asked about 2009.

MR. WOLF reiterated that it was when all economies slowed.

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MR. WOLF described Alaska's top export commodities for 2014; seafood, minerals and metals, and energy - LNG and coal. The export of forest products has declined and fish meal is also exported. He said he accounts for the steady growth in trade because of the current trends, calling them the "Three Rights" - right place, right time, and right commodities. They include Alaska's geographic location as a neighbor to the fastest growing populations in the world. There is economic liberalization and modernization in large emerging markets like China that are experiencing migration to the cities and growth of the middle class. Also, Alaska has world-class reserves of natural resources.

[11:28:08 AM](#)

CO-CHAIR MCGUIRE asked if China and India are both predominantly dependent on hydrocarbons for their energy sources.

MR. WOLF said yes. Some countries are moving away from coal use to natural gas.

SENATOR HOFFMAN asked how many years China has had the one-child law.

MR. WOLF said it has been at least 40 years.

SENATOR HOFFMAN noted that the kids have no siblings or aunts or uncles.

MR. WOLF termed them "little emperors."

He continued to say that natural resources are the building blocks of natural development. They are not short term trends - they are megatrends.

[11:30:17 AM](#)

He addressed the fourth "right" - the right direction. Alaska and the world are heading north for access to natural resources, transportation infrastructure, and maritime shipping opportunities, which is flowing from the commercial development of the Arctic.

He related the opportunities for Alaskan Companies. Resource development, infrastructure build-out, maritime logistics and support and trade and commerce. He provided examples of opportunities for companies.

[11:32:53 AM](#)

He said international trade is big business for Alaska. Overseas exports equaled \$5.2 billion in 2014, which is about 10 percent of the state's economy. It provides thousands of direct and indirect jobs and results in a stronger, more diversified economy.

[11:34:11 AM](#)

He explained that Alaska rates 40th among the states by the value of exports. As a percent of GSP, Alaska ranks 14th and on a per capita basis, Alaska ranks 4th. According to the U.S. Department of Commerce, there are approximately 300 companies that export from locations in Alaska. Seventy-five percent of those are considered small or medium enterprises.

MR. WOLF described why he is optimistic. Alaska has what the world needs and has fast-growing economics and populations in our back yard. There are new opportunities for commercial development of the Arctic. He listed the opportunities for minerals and metal.

[11:35:55 AM](#)

He turned to the new business model in Alaska. There are an increasing number of companies adopting new business models for growth and success. With the new model there are 3 billion potential customers possible. This new mindset creates greater feasibility for Alaskan companies and projects.

He concluded that in a time of crisis, Alaska should rise to the opportunities.

CO-CHAIR MCGUIRE thanked Mr. Wolf.

[11:37:20 AM](#)

CO-CHAIR MCGUIRE announced the presentation on the Port of Adak.

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THOMAS MACK, President, Aleut Corporation, presented "The Port of Adak." He shared information about the Aleut Corporation. He described the Aleut Region and said that Adak is the largest land owner.

[11:40:06 AM](#)

MR. MACK said Alaska is the connection to the Arctic. He showed a map of the Arctic boundary as defined by the Arctic Research

and Policy Act. He said the Aleutians are the gateway to the Arctic. He spoke of the vast amount of resources in the Arctic and that there is massive potential. Today, Adak is positioned to become the door to the Arctic.

[11:42:53 AM](#)

MR. MACK talked about shipping. The Port of Adak was built in 1972. He showed an aerial map of the Port of Adak and spoke of its convenient location and great facilities. He gave examples of shipping companies that use the Port of Adak and the time they save. He noted that Adak is an international transshipment hub that will save money for world trade route companies. He described the trade possibilities and alternative energy options.

He concluded that Alaska has to take on the leadership role. He stressed the sense of urgency in response to opening of the Arctic. He concluded that Adak is ready to work on opening up the Port of Adak.

[11:49:07 AM](#)

CO-CHAIR MCGUIRE thanked Mr. Mack for his presentation. She suggested that he contact the Alaska delegation. She hoped to change the federal government's view of the Arctic.

SENATOR STEVENS said he was surprised that the Navy left Adak. He asked how the Port of Adak compares to other ports.

[11:51:02 AM](#)

LAYTON LOCKETTE, City Manager, presented information about the Port of Adak. He noted that Adak has significant assets and showed images that highlight them. He showed how Adak has changed since the military was there and that there is flat land available and untold resources.

He highlighted the infrastructure that is available in Adak. He said many resources have been utilized for government purposes. He discussed the small boat harbor master improvement plan.

[11:55:12 AM](#)

MR. LOCKETTE described the Lake Bonnie Rose Reservoir, the water source for the community. He said the Lake DeMarie Reservoir has the potential for wind energy and hydroelectric power.

[11:57:08 AM](#)

MR. LOCKETTE highlighted the essential air service and the excellent airport with military and international traffic. He

addressed telecommunications opportunities, including a fiber optic network. He talked about the fish processing industry and the potential medical facility and hospital. He concluded that Adak's motto is onward and upward.

[11:59:30 AM](#)

MR. MACK said Adak is trying hard to market its community and make it work for all of Alaska. The board just passed four goals: for Adak to become an oil fuel service center, to become a world-class shipment hub, to optimize fishery opportunities, and to recognize that Adak has a unique location and opportunities. Management is tasked to come up with strategies to work with the city to fulfill those goals.

[12:00:49 PM](#)

CO-CHAIR MCGUIRE asked if Adak has a fuel marketing plan.

MR. LOCKETTE said he thought that the subsidiary that handles fuel has a marketing plan. He said Adak has been asked to have a customs office and delegation as an international airport. It is looking into local options first before asking for state assistance.

SENATOR HOFFMAN asked about the population and the potential for fisheries.

MR. LOCKETTE said the base populations is about 120. There are an extra 200 people on the island when the processing plant is in full gear. They expect to start processing Pollock soon as part of the Corporation Allocation for Small Boats, which will bring in more people. Also, an explosion ordinance cleanup will occur next month and bring in another 50 people. At any given time there are between 200-300 people on the island.

CO-CHAIR MCGUIRE asked about free housing for shareholders.

MR. MACK said now the houses are for sale.

SENATOR OLSON asked who owns the airport.

MR. LOCKETT said state does.

MR. MACK said when the corporation came in, it transferred lands to the city and to the state, which included the airport.

SENATOR OLSON asked what the alternative airport is.

MR. LOCKETT said it is Cold Bay.

SENATOR HOFFMAN asked what the flying time between Anchorage and Adak.

MR. LOCKETT said 2 hours and 48 minutes.

CHAIR MCGUIRE thanked the presenters.

[12:04:29 PM](#)

There being nothing further to come before the committee, Co-Chair McGuire adjourned the Senate Special Committee on the Arctic at 12:04 p.m.