

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 19, 2019

1:33 p.m.

MEMBERS PRESENT

Representative Louise Stutes, Co-Chair
Representative Adam Wool, Co-Chair
Representative Matt Claman
Representative Harriet Drummond
Representative Andi Story
Representative Sara Rasmussen

MEMBERS ABSENT

Representative Dave Talerico

COMMITTEE CALENDAR

PRESENTATION(S): ECONOMIC VALUE & IMPACT OF ALASKA'S PORTS BY
THE PORTS OF WHITTIER, SEWARD, & ANCHORAGE

- HEARD

PRESENTATION: IMPORTANCE OF AMHS TO THE PORT OF BELLINGHAM

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JIM HUNT, City Manager
City of Whittier
Whittier, Alaska

POSITION STATEMENT: Presented on Whittier's potential as a
major Alaskan port city.

BRENNAN HICKOK, Assistant City Manager
City of Seward
Seward, Alaska

POSITION STATEMENT: Presented on Seward's ports, harbors, and
docks.

NORM REGIS, Harbormaster
City of Seward
Seward, Alaska

POSITION STATEMENT: Presented on Seward's ports, harbors, and docks.

JIM JAGER, Director of External Affairs
Port of Alaska
Anchorage, Alaska

POSITION STATEMENT: Presented on the current state of the Port of Alaska as well as upcoming modernization efforts.

ROB FIX, Executive Director
Port of Bellingham
Bellingham, Washington

POSITION STATEMENT: Presented on the importance of the Alaska Marine Highway System to the Port of Bellingham.

ACTION NARRATIVE

[1:33:45 PM](#)

CO-CHAIR ADAM WOOL called the House Transportation Standing Committee meeting to order at 1:33 p.m. Representatives Drummond, Rasmussen, Claman, Stutes, Wool, and Story were present at the call to order.

PRESENTATION(S): Economic Value & Impact of Alaska's Ports by the Ports of Whittier, Seward, & Anchorage

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CO-CHAIR WOOL announced that the first order of business would be a set of presentations on the economic value and impact of Alaska's ports, including testimony from representatives of the Ports of Whittier, Seward, and Alaska [Anchorage].

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JIM HUNT, City Manager, City of Whittier, thanked committee members for allowing him to testify on the critical issue of ports in Alaska. He said the City of Whittier would like to express its support for the Alaska Marine Highway [System] (AMHS) in Whittier and Alaska. He noted the city also recognizes the financial challenges facing the State of Alaska (SOA). He pitched the idea of homeporting the northern Prince William Sound ferry in Whittier, arguing that it would provide

more affordable housing options for crew, as well as access to the Seward Highway.

MR. HUNT offered details about his background, including his seven-year stint as city manager for the City of Seward. He noted that he is an accredited marine port executive. He discussed his role in developing various projects in Seward, including the Seward Marine Industrial Center (SMIC), the new breakwater, and the replacement docks in the downtown harbor. He said the SMIC has spurred economic growth and has generated millions of dollars in business revenue, which he noted benefits SOA as well as Seward.

MR. HUNT said his current challenge as city manager for the City of Whittier is to develop the city to its fullest potential. He mentioned his intention for Whittier to aid Alaska by serving as a new port site and to be identified as a backup port in the event of an emergency in Anchorage. He noted that Whittier is located on the northernmost ice-free deep-water bay in Southcentral Alaska. He said the city is unique in that it owns the surrounding tidelands within its 17-mile corporate boundary area. He commented that the head of the bay is deep and would require minimal initial dredging in the event of development due to the lack of sedimentation on the north side of the bay. He added that an existing Alaska Railroad rail spur runs along a road that terminates near the head of the bay. He said the city has many acres available for development.

MR. HUNT said the challenge for Alaska's ports is to be prepared for any eventuality. He opined that this has been ignored for many years. He said no one port can provide the transportation and freight security needed by SOA. He asked committee members to recognize that. He requested that the committee consider Whittier as a viable option as it moves forward in its deliberations.

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CO-CHAIR WOOL thanked Mr. Hunt for his presentation. He asked if the City of Whittier receives state funding for its port and, if so, how much and for what it is used.

MR. HUNT stated that the City of Whittier has not received any state funds for port improvement. He noted that the city previously received a \$500,000 match grant for its small boat harbor.

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CO-CHAIR WOOL asked whether the port receives much freight, given the presence of the railroad. He recalled hearing about various natural resources being shipped up from Canada to Whittier.

MR. HUNT explained that Alaska Marine Lines (AML) partners with the Alaska Railroad to transport freight and hazardous materials through the middle of the city. He stated that he sees an opportunity for future movement toward a partnership to move dangerous materials the north side of the bay and away from Whittier's city center and tourist district. He noted that the City of Whittier is welcoming larger cruise ships. He expressed concern with the hazardous materials issue, but said he is forced to accept it as the reality of "where we live right now."

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CO-CHAIR WOOL asked Mr. Hunt to clarify his earlier statement about Whittier potentially being a home port for the ferry.

MR. HUNT explained that Motor Vessel (M/V) Aurora is not currently homeported in Whittier. He opined that doing so would better address housing issues than if it were homeported in Hoonah, Cordova, or Valdez. He said it makes more economic sense for the vessel and its crew to be stationed in Whittier because of the city's transportation and housing options.

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CO-CHAIR STUTES asked if AML utilizes Whittier's port.

MR. HUNT said AML operates Whittier's heavy freight dock near downtown Whittier. He explained that it receives and ships heavy freight and materials there.

CO-CHAIR STUTES asked whether any other freight lines utilize Whittier's port.

MR. HUNT said there are smaller barges that come and go. He called the area "a blank slate" and reiterated that the bay is secure, deep-water, and accessible to tunnels and the highway.

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CO-CHAIR WOOL asked Mr. Hunt to identify the first port accessible to vessels that sail up through the Inside Passage.

MR. HUNT said that run usually involves Valdez and Cordova before completing the Northern Loop across Prince William Sound. He confirmed that Whittier is "the western gateway to the sound."

CO-CHAIR WOOL asked about Whittier's history as a submarine base during World War II.

MR. HUNT quipped, "Would that be officially or unofficially?" He then confirmed that Whittier was a port for many types of vessels.

CO-CHAIR WOOL thanked Mr. Hunt for his presentation.

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The committee took an at-ease from 1:44 p.m. to 1:47 p.m.

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BRENNAN HICKOK, Assistant City Manager, City of Seward, began a PowerPoint presentation [hard copy included in the committee packet] on Seward's ports, harbors, and docks. He noted that there are three different entities that operate in the City of Seward: The Seward Boat Harbor, located on the west side of the bay; The Alaska Railroad, which operates the Port of Seward, also located on the west side of the bay; and the Seward Marine Industrial Center (SMIC), located on the east side of the bay.

MR. HICKOK addressed slide 2, titled "Introduction." He explained that Seward Township was established in 1903 and became an incorporated city in 1912. He said the original harbor was located on the central coastline with the railroad facility on the south end. He relayed that the harbor was rebuilt in a more appropriate location after the 1964 location, noting that the new permanent location shielded the harbor from southern winds. He said the Port of Seward is connected to the rest of Alaska by rail, road, and air. He listed distances in roads and rail from Seward to Anchorage and Fairbanks. He added that the port is deep-water and is free of ice year-round.

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MR. HICKOK addressed slide 3, which featured a photo of Seward from June 1906. He pointed out the railroad facility at the south end of town.

MR. HICKOK addressed slide 4, which featured another historical photo. He again pointed out the railroad facility. He also pointed out the original harbor. Responding to a question by Co-Chair Wool, Mr. Hickok pointed out the current location of the Seward Marine Center.

MR. HICKOK addressed slide 5, which featured an aerial photograph taken in 1965 that conveyed changes made following the 1964 earthquake, which washed away much of the existing infrastructure. He pointed out the new harbor and railroad terminal.

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MR. HICKOK addressed slide 6 and stated that Seward's harbor currently has 562 slips, 512 of which have electricity. He said the harbor is dredged to -15 feet [mean lower low water] (MLLW) and features over 5,000 feet of linear moorage. He explained that the slips range from 32 to 100 feet. He also mentioned the presence of two fish processing plants.

CO-CHAIR STUTES asked for an explanation of MLLW.

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NORM REGIS, Harbormaster, City of Seward, explained that it stands for mean lower low water.

MR. HICKOK quipped that he also had to look up that definition this morning. He returned to the topic of the fish processing plants and noted that they process 27 million pounds of fish annually worth approximately \$42 million. He confirmed for Co-Chair Wool that both plants are currently operating.

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REPRESENTATIVE STORY asked about the demand for the slips in Seward's harbor.

MR. REGIS said the demand for the 32-foot slips is approximately 6 months. He said the larger slips range from two years to four years. He noted that there are not many 90-foot slips and those who use them tend to keep renewing them.

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MR. HICKOK addressed slide 7, which featured a recent aerial photo of the Seward harbor. He noted that there are very few empty slips. He pointed out the United States Coast Guard Cutter (USCGC) *Mustang*. He noted that Seward will receive a new fast response cutter in 2023. He said discussions with USCG about accommodating the new cutter are ongoing.

MR. HICKOK addressed slide 8, titled "Ongoing Projects." He discussed the South Harbor Boat Launch rebuild, which was financed through a \$2.7 million grant that included matching funds from the Alaska Department of Fish & Game (ADF&G). He mentioned the Upland development to accommodate the new USCG Cutter, which he said was a \$31 million appropriation from the federal government. He said the city is seeking to replace two floats. He shared the city's intention to construct a 50-ton travel lift washdown pad on the west side of the bay.

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CO-CHAIR WOOL asked what other state funding the City of Seward has received.

MR. HICKOK said SMIC received \$29.5 million in grants from SOA. He clarified that this included two \$10 million appropriations and one \$5.9 million appropriation.

MR. REGIS added that the city used the Harbor Facility Grant program to slowly rebuild its small boat harbor. He clarified that the city must have a shovel-ready project and money in-hand before it goes to SOA for a 50 percent match. He said the grant program will hopefully continue.

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CO-CHAIR STUTES asked if there is a travel lift in Seward.

MR. HICKOK said there is a 50-ton travel lift on the west side of the bay in the harbor and a 330-ton travel lift on the east side of the bay at SMIC.

MR. REGIS noted that the city does have a washdown pad for the 330-ton travel lift. He said the pad was paid for with Exxon Valdez oil spill (EVOS) money.

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REPRESENTATIVE DRUMMOND asked about the Upland development to accommodate the USCG cutter.

MR. HICKOK explained that the Upland development will be whatever facilities USCG deems necessary for its new fast response cutter and its support/maintenance team. He said that means a new building and potentially a new dock. He added that it could mean new development if USCG chooses to locate it at SMIC.

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CO-CHAIR STUTES asked what the largest vessel is that can be serviced by the 330-ton lift.

MR. REGIS said it has lifted vessels that are 145 to 150 feet long. He noted that it is difficult to turn when lifting ships longer than that. He said the yard is large enough to accommodate big vessels.

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MR. HICKOK addressed slide 9, which featured another aerial photo of the harbor.

MR. HICKOK addressed slide 10, titled "Seward's Port." He said the 328-acre port is operated by the Alaska Railroad. He added that 75 of those acres are dock facilities. He said the port includes freight docks, passenger docks, and a loading facility. He noted that the loading facility - largely used to export coal - has been inactive since 2016 due to the decline of the coal market. He mentioned that the Alaska Railroad has said it could swiftly revamp the facility should the market adjust itself.

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CO-CHAIR STUTES asked why the City of Seward decided it no longer wanted AMHS to dock there.

MR. REGIS said he believes AMHS pulled itself out. He said the city wanted to keep AMHS in Seward.

CO-CHAIR WOOL asked for confirmation that the ferry in question ran from Seward to Kodiak.

CO-CHAIR STUTES confirmed it.

REPRESENTATIVE STORY expressed interest in obtaining information pertaining to the decision to pull AMHS out of Seward.

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MR. HICKOK said the Alaska Railroad also operates the cruise ship port. He said 70 cruise ships visited Seward in 2018 and 82 are scheduled to visit in 2019. He said that amounts to more than 200,000 cruise ship customers annually. He mentioned that the port managed 4.29 million tons of freight in 2015, servicing 40 different freight customers. He noted this the number will have dropped over the past four years due to the shutdown of the loading facility. He confirmed for Co-chair Wool that most of the freight being exported was coal.

CO-CHAIR WOOL asked if Seward also takes in freight that is transferred north via the railway.

MR. HICKOK answered yes.

CO-CHAIR WOOL asked if that freight is different from what goes into Whittier or Anchorage.

MR. HICKOK answered, "Not that I'm aware of."

CO-CHAIR WOOL asked if some customers elect to use Seward over other ports.

MR. HICKOK said yes. He noted that Seward is the gateway to the Kenai Peninsula, so some shipping options are cheaper to go through Seward if the destination is the Kenai Peninsula.

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REPRESENTATIVE STORY asked about fees collected or economic benefits gained by the city from the cruise ships that visit the port.

MR. HICKOK stated that there are several benefits, including the 5 percent head tax and the economic activity driven by tourists spending money. He noted that Seward is a turnaround port rather than a port of call, so many passengers immediately leave Seward by boarding a train, but some cruise ships remain in

Seward for 24 to 48 hours. He said the economic impact of having those people in Seward is significant.

MR. HICKOK addressed slide 11, which featured a photo that he said represents the perfect usage of a port. He noted that the photo includes a cruise ship, freight activity, and a coal ship being loaded.

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MR. HICKOK addressed slide 12. He described SMIC as a city-operated entity on the east side of the bay. He restated that it has received three grants from SOA since 2012, totaling \$29.5 million. He said SMIC has over 1,000 feet of linear moorage and a 430-foot barge landing on the north dock. He added that the north dock is dredged to -25 feet MLLW. He said the SMIC basin is dredged to -21 feet MLLW.

MR. HICKOK addressed slide 13, which featured an aerial photo of SMIC. He pointed out the newly installed breakwater, the north dock, the fisherman's float, a fish processing plant, the 330-ton lift pit, and a syncrolift system, which he said can lift 5,000 tons.

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CO-CHAIR WOOL asked for confirmation that SMIC is located on the opposite side of the bay from the boat harbor.

MR. HICKOK answered correct.

CO-CHAIR WOOL asked about the kinds of activity that happen at SMIC.

MR. HICKOK said there are several marine support businesses, including the large vessel maintenances shipyard operated by JAG Industrial & Marine Services. He also mentioned Shoreside Petroleum, Inc. He said other businesses there handle fish processing, fiberglass work, and boat storage activities. He noted that the area is very active in winter and less active in summer. He confirmed for Co-chair Wool that there is currently no rail access to SMIC and the east side of the bay.

MR. REGIS stated that Alaska Vocational Technical Center (AVTEC) has a fire training center at SMIC. He said various fire departments come to Seward to take advantage of the city's fire

training center. He said AVTEC also trains students there who are entering marine-related fields.

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MR. HICKOK stated that there is a 10-ton crane located at SMIC's north dock, as well as 10 acres of storage. He said SMIC features an additional 25 acres of upland storage. He mentioned the 5,000-ton syncrolift, the 330-ton travel lift, and the fish processing plant.

MR. HICKOK addressed slide 15, which featured an aerial photo of SMIC facing west. He pointed out an oil rig that had been in Seward for a couple years.

CO-CHAIR WOOL commented that the aerial photos sometimes make things look small, but the oil rig allows for a clear understanding of the scale of SMIC.

MR. HICKOK identified in the photo the fish processing plant, 330-ton lift, and the syncrolift. He said the syncrolift operation is operated by JAG Industrial & Marine Services.

MR. HICKOK addressed slide 16, which featured a list of industry currently at SMIC. He noted that JAG Industrial & Marine Services is currently working on USCGC Spar. He named additional companies: Alaska Logistics, which repairs marine vessels; Raibow Fiberglass and Boat Repair, LLC; Exit Marine, LLC, which repairs marine vessels; Hung Tough Nets, LLC, which repairs fishing nets; AVTEC's fire training facility; Communications North, a communications installation and repair company; Shoreside Petroleum, Inc.; and Polar Seafoods, Inc., which operates out of the processing plant.

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REPRESENTATIVE DRUMMOND pointed out that Spring Creek Correctional Center is visible in the photo on slide 17.

MR. HICKOK confirmed that the maximum-security prison is visible at the top center of the photo.

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MR. HICKOK addressed slide 18. He discussed future goals for SMIC, including an intention to increase cargo handling and capacity for Alaska-bound cargo. He said discussions have begun

about a rail extension to connect SMIC to the Alaska railroad. He noted that this would put Seward at a competitive advantage as relates to Alaska-bound cargo. He said the city would like to expand the maritime support service businesses located at SMIC as well as maximize SMIC's moorage capacity. He shared that the city has also discussed with USCG where its new cutter will go. He said one option is to have it based at SMIC, which would increase activity and infrastructure there.

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CO-CHAIR WOOL asked about the advantages of SMIC versus the existing port on the west side of the bay.

MR. HICKOK said the railroad facility [on the west side of the bay] is better equipped to manage large amounts of cargo. He said SMIC would require significant investment to increase its cargo activity and expand export/import capabilities on [the east] side of the bay.

CO-CHAIR WOOL asked, "And that would only be if you had more demand?"

MR. HICKOK answered correct.

CO-CHAIR WOOL asked if the cargo coming in now is mostly staying on the Kenai Peninsula. He posited that cargo destined for Anchorage or north of Anchorage would generally ship into Anchorage.

MR. HICKOK said that aligns with his best guess. After ascertaining that no other committee members wished to ask a question, he thanked the committee for allowing he and Mr. Regis to testify.

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The committee took an at-ease from 2:07 p.m. to 2:09 p.m.

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JIM JAGER, Director of External Affairs, Port of Alaska, said the Port of Alaska is a facility that is owned and operated by the Municipality of Anchorage. He said the Port of Alaska serves the Anchorage community, all of Alaska, and the entire nation. He said the Port of Anchorage opened in 1961 to support regional economic development and added that the Anchorage

Assembly renamed it to the Port of Alaska in 2017 to reflect its regional, state, and national significance.

MR. JAGER addressed slide 2 of his PowerPoint presentation [hard copy included in the committee packet]. He remarked that Alaska is a "virtual island" with an economy reliant on marine transport. He said 90 percent of Alaska's inbound cargo is marine freight, meaning it is delivered on a ship or barge. He added that air and truck carriers account for less than 5 percent of Alaska's inbound cargo freight. He said all of Alaska's major industries rely on marine commerce. He commented that there is no SOA department or official responsible for oversight, advocacy, planning, or funding of ports and related marine infrastructure. He noted that the Department of Transportation & Public Facilities (DOTPF) is responsible for highways, aviation facilities, AMHS, and marine harbors. He drew a distinction between harbors and ports. He noted that the Alaska Railroad is a state-owned corporation responsible for rail transport. He said the Department of Natural Resources employs a state pipeline coordinator responsible for all pipeline systems. He repeated that there is no state entity or employee responsible for Alaska's cargo ports. He remarked that Alaska's ports are owned and operated by a variety of local government, quasi-government, and private interests, so there is very little coordination between ports on a statewide level.

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CO-CHAIR WOOL asked if most states have some sort of statewide port authority. He referenced the Port Authority of New York [and New Jersey] (PANYNJ).

MR. JAGER said it varies from state to state. He said there is no single model that stands out as "the norm."

REPRESENTATIVE DRUMMOND commented that she grew up in New York City (NYC). She noted that PANYNJ is a cooperation between two states. She said she has always found that fascinating. She commented that she thinks it would be smart for the Matanuska-Susitna Borough to cooperate with the Municipality of Anchorage on a joint port authority. She remarked that if two states can do it, two boroughs should be able to as well.

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MR. JAGER addressed slide 3. He said the Port of Alaska is the state's primary inbound cargo handling facility. He said the

port handles approximately half of Alaska's inbound marine freight, amounting to about 9 million tons of fuel and freight in 2018. He said half of the freight that arrives at the port continues to a destination elsewhere in the state beyond the municipality's borders. He said that includes freight that ends up in Southeast Alaska. He called the port's cargo business "very stable." He said it is closely linked to the state's population, meaning it tends to increase as the state's population grows and decrease as the state's population shrinks.

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CO-CHAIR WOOL sought clarity on the amount of freight that enters the Port of Alaska that ends up at a destination in Southeast Alaska.

MR. JAGER said it is some freight, not a lot. He explained it is a matter of cargo logistics, meaning "it is cheaper to send it back on backhaul than it is to send a vessel up, deliver it, and ship it back empty." He offered avgas, or aviation gasoline, as an example. He explained that most of Alaska's avgas enters the Port of Alaska and that avgas due for Southeast Alaska is placed on a barge returning to the region.

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MR. JAGER addressed slide 4. He called Port of Alaska "the state's most versatile port." He said it handles a wide variety of domestic and foreign cargo carriers. He noted that it has three general cargo terminals with lift-on, lift-off, roll-on, roll-off, and break-bulk capabilities. He said the port has two petroleum terminals, handles dry bulk cement, has a dry barge landing, and welcomes cruise ships. He noted that the port had 11 cruise ship landings in 2018, expects to have the same in 2019, and will host MS *Queen Elizabeth*. Interestingly, he said, Port of Alaska is not the biggest port in the state by tonnage, noting that the ports in Valdez, Nikiski, and Red Dog Mine are major export facilities. He said Port of Alaska is the biggest inbound cargo facility in the state.

MR. JAGER addressed slide 5. He said cargo handling logistics and efficiencies are driven by proximity to markets, infrastructure, and transportation connections. He stated that Port of Alaska is [*indisc.*] and its docks are leveraged by hundreds of millions of dollars of private, freight-related infrastructure. He said the port has a 125-acre cargo handling

yard, 60,000 tons of cement storage, and 3.4 million barrels of fuel storage.

MR. JAGER addressed slide 6. He said the Port of Alaska is the state's intermodal connection point for cargo distribution. He noted that the port is near the AML and Northstar Marine barge terminals that service Western Alaska. He said 60 percent of the state's population is within a 2-hour drive via the state highway system. He added that 75 percent of all Alaskans live on the Anchorage-connected road system. He said there are multiple rail connections and 2 miles of rail track on the port. He said the railroad's main cargo yard is at grade and immediately adjacent to the port. He noted that the runways at Ted Stevens Anchorage International Airport and Joint Base Elmendorf-Richardson (JBER) are both within sight of the port's docks. He also discussed the valve yard and related pipelines that connect the port to the international airport, JBER, the petroleum refinery in Nikiski, and various distributors that can serve the entire state. He said this infrastructure gives Port of Alaska more inbound cargo handling capacity than every other port in Southcentral Alaska combined.

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MR. JAGER addressed slide 7. He said the Port of Alaska serves three core functions. The first, he said, is commerce, including statewide cargo services and economic development. He noted that commerce generates nearly all the port's revenue, which pays for all the port's operations. He said the port has been cashflow positive since the 1964 Anchorage earthquake. He added that no tax dollars or other public money supports the port's operations. He said the second function of the port is national defense, noting that it has been designated by the Department of Defense (DOD) as a commercial strategic seaport. He said the third function is earthquake resiliency, disaster response, and disaster recovery. He stated that the Port of Alaska is key to every state and federal disaster response plan. He noted that every time an emergency drill is undertaken, the drill fails if the Port of Alaska fails.

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CO-CHAIR WOOL asked what would happen if the Port of Alaska sustained earthquake damage. He asked if the port is particularly vulnerable.

MR. JAGER confirmed that the port is in a vulnerable area. He said the port survived the recent earthquake in November with no operational failure. He relayed that there was one tanker in dock when the earthquake hit. He described the inspection and evaluation process used to confirm everything was okay. "That said," he continued, "we dodged a bullet. It could have been a lot worse." He said a lot of work is put toward ensuring the resilience of the port but noted that it is an aging facility.

CO-CHAIR WOOL asked Mr. Jager to explain a photo featured on slide 7.

MR. JAGER pointed out the wharf and its piles on the right side of the photo. He said ice will build up on the piling. He shared that the ice-covered piles are referred to as "corndogs." He said the photo is probably from January, as the ice buildup shown is typical for that month.

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MR. JAGER addressed slide 8. He said the port is in the business of bringing in freight and fuel for Alaska's residents, businesses, and economy. He stated that 85 percent of Alaskans receive a direct benefit from the Port of Alaska. He said the entire state receives indirect benefits, such as the massive amounts of liquid fuel that crosses the port's dock. He restated that virtually all the avgas used in the state comes across the port's dock. He spoke about the port's cement-handling facility and said about 90 percent of the cement used in the state crosses its dock. He said the three biggest cement users in Alaska in 2018 were Liberty Energy Project, Eielson Air Force Base, and the Pogo gold mine, and that they all use the facilities at the Port of Alaska to conduct their business.

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MR. JAGER addressed slide 9. He restated that DOD has designated the Port of Alaska as a commercial strategic seaport that supports its missions in Alaska, the Arctic, and the Pacific Rim. He said about 20 percent of the port's cargo is military-related. He noted that its status as a strategic seaport means the Port of Alaska must have facilities to support short-notice deployment. He described the things the port must make available to the military should it decide to deploy.

MR. JAGER addressed slide 10. He said the port is a key piece of state and federal disaster infrastructure. He repeated that

every disaster response plan relies on the port functioning. He said the need for earthquake resiliency would increase the cost of replacing the dock. He stated that earthquake resiliency matters because Alaska is a just-in-time (JIT) delivery state. He clarified that there is 6 to 10 days' worth of food supply in the state at any given time, meaning that Alaskans "will get hungry very quickly" if the supply chain is broken.

MR. JAGER dismissed an assertion that air shipment would be a suitable alternative in the event of the port closing, noting that Ted Stevens Anchorage International Airport is the fifth busiest cargo airport on the planet with approximately 500 wide-body flights landing each week. In order to replace the port's sealift capabilities, he said, the airport would have to receive an additional 700 flights per week.

MR. JAGER said upper Cook Inlet is tsunami-proof and is the only Southcentral Alaska port that survived "the earthquake and the tsunamis." As a result, he explained, it played a key role in reconstruction. He said the earthquake is the reason why the state's main port moved from Seward to Anchorage.

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MR. JAGER addressed slide 11. He stated that Anchorage's docks are 50 years old and are "suffering a slow-motion disaster of corrosion and obsolescence." He said the facility has long exceeded its 35-year design life. He said the aging piles have lost up to three-quarters of their original thickness near the mudline and are unlikely to survive another significant earthquake. He described repairs that began in 2004 to jacket the piles in steel to reinforce the corrosion. He noted that those repairs are one-time repairs that only last 10 to 15 years. He said the port is about nine years away from having to close docks due to lack of load-bearing capacity. He added that this assumes there is no earthquake in the meantime.

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MR. JAGER addressed slide 12 and introduced the Port of Alaska Modernization Program (PAMP), which he explained will replace the port's ageing docks and related infrastructure to improve safety and operational efficiency. He said PAMP would also allow the port to accommodate modern shipping operations and to improve resiliency. He noted that the port's docks were originally built in the 1960s when shipping vessels were smaller. He said the port's low mean depth is currently 35

feet. He stated that the project would allow for depths up to 45 feet in order to accommodate larger ships. He noted as well that the original docks were built before the introduction of seismic standards for marine facilities. He said the new docks will be designed to survive a major earthquake. He clarified that PAMP is not an expansion plan; it is a replacement plan. He commented that the port already has plenty of docks and is functioning at 35 to 40 percent of its dock capacity. He said best practices experts would say that a port should not expand its docks until it reaches 70 percent capacity. This, he explained, means the state's population could double before a dock expansion becomes necessary. He restated the challenge facing the port because the dock is in its final decade of life.

MR. JAGER addressed slide 13. He stated that initial construction on the modernization project is underway. He said shoreline stabilization began in 2018 for the location of a new petroleum and cement terminal. He identified the area of construction in a photograph displayed on slide 13. He described the "deep soil mixing" process to boost seismic resiliency. He noted that the earthquake in November did not significantly damage the area. He said the modernization plan includes the building of a new dock and a new petroleum and cement terminal. He described the process through which the port will remain functioning during the build period.

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CO-CHAIR WOOL asked about the location of the construction relative to existing docks.

MR. JAGER said the existing docks are well beyond their lifespan so repairing them is not an option. He explained that the plan is to replace the current facility with new construction approximately 400 yards south and 150 feet farther out into the ocean. He said that, after building the southmost dock, the construction will move north and demolish the southernmost existing dock. He said the construction process would proceed north over the next eight years with a "demo-build" model until the whole facility has been replaced. He stated that this will keep the same number of terminals operational throughout the process.

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MR. JAGER asked committee members not to confuse PAMP with the failed Port of Anchorage Intermodal Expansion Project from the

early 2000s. He described the expansion project as "a completely different type of project" that was meant to replace the docks and expand the port far beyond market requirements. He said the project created about \$250 million worth of repair work that the port now must undertake. He explained that the port is currently in litigation to receive damages for the repair work. He clarified that PAMP is simply a replacement project that, based on the requests of port users, could range up to \$2 billion, though he shared that he expects costs to be "quite a bit less than that." He said the port is working toward a "beneficiary pays model," so that the beneficiaries of the various improvements are the ones who will pay for them.

CO-CHAIR WOOL asked for an explanation of the model and who the beneficiaries are.

MR. JAGER said, as an example, the bulk of the expense for replacing the petroleum and cement terminal should be paid back through tariffs and fees associated with the terminal, so that petroleum and cement users would be the ones ultimately paying for it. He said that would mean a portion of every purchase of a gallon of gasoline would go toward paying the cost of the new dock. He said the tariffs and fees would repay the revenue bonds that fund the project.

[2:32:46 PM](#)

CO-CHAIR WOOL said that means the tariffs would be charged to the commercial customers that are using the dock.

MR. JAGER said that is correct, and that the users would pass along the cost to Alaskans, who he described as "the ultimate customers." He clarified that the Port of Alaska is different from most Lower 48 ports. He drew a contrast with the Port of Tacoma, which handles both inbound and outbound cargo. He said half of the Port of Tacoma's tariffs are being charged to outbound cargo and thus the ultimate payer is someone not in the State of Washington. He explained that much of the inbound cargo that arrives at the Port of Tacoma is loaded onto trucks and driven east to out-of-state destinations, thus the ultimate payer of those tariffs is also someone outside the State of Washington. He said virtually all the Port of Alaska's freight is inbound and remains in the state, so Alaskans are the ones who pay the bill. He explained that the question then becomes, "What's the most efficient way for them to pay the bill?" He said a cargo tariff is one option but noted that it would "tilt the cargo playing field" in a way that does not benefit

Alaskans. He explained that if the tariff is raised on inbound cargo a certain amount per ton, grocery stores would pay the extra cost to bring in time-sensitive items, such as produce, via ships arriving at the Port of Alaska. But, he said, other importers like car dealers might decide that barging vehicles is more economical than shipping, thus bypassing the Port of Alaska. This, he explained, would result in less tonnage coming across port docks and a need for further tariff increases, which could result in major price spikes in commodities like groceries. He said that could create economic peril for the state. He advocated for a different approach in which state tax dollars help pay for the new facility. He said this would help distribute the costs without causing unwanted downstream effects.

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CO-CHAIR WOOL said he is not sure to which "state tax dollars" Mr. Jager is referring.

MR. JAGER clarified that he means SOA money that could come from any state tax source.

CO-CHAIR WOOL revisited the topic of cars being barged to Alaska. He posited that this would mean the cars not crossing Port of Alaska docks.

MR. JAGER said most barges that arrive in Southcentral Alaska go to the Port of Whittier.

CO-CHAIR WOOL asked for confirmation that the Port of Alaska does not handle much barge traffic, rather it handles mostly ship traffic.

MR. JAGER said that is correct and confirmed that the Port of Alaska receives virtually no containerized barge traffic. He clarified that most of the barges that the port deals with are fuel barges from Valdez.

[2:37:30 PM](#)

REPRESENTATIVE RASMUSSEN asked if Mr. Jager is asking SOA to support the Port of Alaska.

MR. JAGER answered that the Municipality of Anchorage is asking for support on the new dock. He said the legislature previously appropriated \$20 million for the new petroleum and cement

terminal. He said the port is moving forward with that construction, but full funding has not yet been secured. He said the amount of SOA funding received will determine the size of the tariffs to be levied on petroleum and cement.

REPRESENTATIVE RASMUSSEN asked whether, in Mr. Jager's scenario, SOA would retain some ownership stake in the port. She said it does not make sense for SOA to fund infrastructure that it does not own.

MR. JAGER said he would be happy to have that conversation. He revisited the topic of the beneficiaries pay model and noted that the port has a disaster response function. He said it will cost 15 percent more than the overall dock cost to ensure the petroleum and cement facility is up to standards for earthquake resiliency. He stated that the extra cost does not deliver any benefits to the cement companies or the petroleum companies because a regular commerce-level dock would adequately serve their needs. He asked, "So who pays that extra 15 percent?" He suggested that, if earthquake resiliency is a public benefit, it should probably be paid with public money, either state or federal.

[2:40:09 PM](#)

CO-CHAIR WOOL asked how much SOA money Port of Alaska has received so far.

MR. JAGER answered, "\$20 million last year for this dock."

CO-CHAIR WOOL asked about an earlier reference to a \$250 million repair.

MR. JAGER clarified that the \$250 million was for repair work to the failed Port of Anchorage Intermodal Expansion Project.

CO-CHAIR WOOL asked who funded that project.

MR. JAGER said it was a combination of state and federal funds, but mostly federal funds. He commented that the United States Maritime Administration (MARAD) was the project manager for that project. He said the courts are deciding why the project failed and the port is currently in litigation with MARAD to recover the damages, which he clarified means the amount of money the port needs to repair the damage MARAD caused. He said the \$250 million is part of PAMP only because the work needs to be done to make room for the construction project. He remarked that the

work will not generate any new revenue, so the only way for that part of the project to be funded is through the MARAD litigation. He noted that this is unrelated to the port's ask for SOA funds, and that it is separate from the petroleum and cement terminal.

[2:42:17 PM](#)

CO-CHAIR WOOL asked how much funding the Port of Alaska is requesting from SOA.

MR. JAGER noted that the legislature appropriated \$20 million in 2018 and he was informed that it would likely do the same in 2019. He said \$20 million is the port's minimal ask. He referenced the potential economic impact of a tariff increase and suggested that additional state support would benefit the economy as cement and fuel handling would be made less expensive.

[2:43:06 PM](#)

REPRESENTATIVE RASMUSSEN asked about a timeline for the MARAD litigation.

MR. JAGER said he anticipates a trial date in late 2019.

[2:43:36 PM](#)

REPRESENTATIVE CLAMAN asked if cement storage and fuel storage are primarily being funded with contributions from entities in those industries.

MR. JAGER said all the storage facilities are privately owned and operated. He explained that the Port of Alaska is a landlord port that will lease land to fuel and cement companies who build and maintain their own facilities. He said they are just leveraging the value of the dock.

REPRESENTATIVE CLAMAN observed that one of the photos in the slideshow [on slide 13] features numerous storage tanks. He asked for confirmation that the oval-shaped tank is for cement storage and the cylinder tanks are for fuel storage.

MR. JAGER said the port has 3.4 million barrels of fuel storage, ranging from jet fuel to gasoline to methanol. He said all those facilities are owned by private companies. He added that the dome pictured on slide 13 contains 40,000 tons of cement

storage and is owned by Alaska Basic Industries (ABI). He said ABI has an additional "20,000 tons of silo and rail loading racks, and truck loading racks." He said the total amount is 60,000 tons.

REPRESENTATIVE CLAMAN asked for confirmation that the silos are not pictured in the photo on slide 13.

MR. JAGER said that is correct. He noted that they are adjacent to the dome but are not pictured.

[2:45:44 PM](#)

CO-CHAIR WOOL said, the way he understands it, the \$2 billion cost of PAMP would be paid for by raised tariffs on certain products that come across the port's docks, which would then increase the price to end users.

MR. JAGER said that is not quite accurate. He described the \$2 billion figure as "an all-in number if we build everything." He described the process through which the port sourced ideas from users and interest groups. He said the port came up with a conceptual design that included all the requests, though noted that "a lot of times you want more than you can actually afford." He said the \$2 billion figure is for seven or eight different projects, including the new petroleum and cement terminal, two new container terminals, an additional fuel terminal, superseismic resiliency requirements, various repair projects, private user upgrades, and various upgrades to abide by the needs of DOD. He noted that the private user upgrades would be paid for by the users themselves, like a crane upgrade for Matson, Inc. He said the funding sources will be different for each project. He stated that the repairs to the failed intermodal expansion project should come from litigation. He said the basic commerce-level docks would be paid either by SOA money or port tariff increases.

[2:48:50 PM](#)

REPRESENTATIVE DRUMMOND asked why DOD could not pay for part of the renewal costs. She asked as well whether DOD pays port fees when it uses the port for deployment.

MR. JAGER stated that the DOD pays normal tariffs for the material they move across the dock for day-to-day operations. He said DOD does not pay to maintain the infrastructure necessary to make 2,200 feet of dock available to it. He noted

that this is an issue with strategic ports across the nation, and that almost every strategic port has complained that DOD imposes requirements yet does not assist in paying for those requirements. He described the process through which a DOD deployment would be handled by a typical port and that port's regular users. He noted that the Port of Alaska is not like other ports, so maintaining that extra dock space is a pure extra expense. He said the problem is that DOD cannot designate funds to the Port of Alaska without earmarks. He said the port has been working on changing that.

[2:50:38 PM](#)

CO-CHAIR WOOL thanked Mr. Jager for his presentation.

PRESENTATION: Importance of AMHS to the Port of Bellingham

[2:51:00 PM](#)

CO-CHAIR WOOL announced the final order of business, a presentation by Rob Fix on the importance of AMHS to the Port of Bellingham.

[2:51:09 PM](#)

ROB FIX, Executive Director, Port of Bellingham, thanked the committee for allowing him to speak. He distributed several handouts. He said the Port of Bellingham has enjoyed a 30-year partnership with AMHS. He noted that AMHS previously voyaged to the Port of Seattle, but now Bellingham is Alaska's connection to the Lower 48. He stated that Bellingham built a \$10 million ferry terminal when AMHS business moved from Seattle to Bellingham. He remarked that the Port of Bellingham is an important connection to the Lower 48 for military families, the fishing industry, business inventory, construction equipment, and recreational travelers. He noted that someone with a dog, gun, or driving under the influence (DUI) conviction would find it very difficult to drive through Canada to reach Alaska. He noted that security checks and a passport are not required to sail out of Bellingham.

CO-CHAIR WOOL established a scenario in which a person rides AMHS from Bellingham to avoid driving in Canada. He asked where that person would disembark to avoid having to drive through Canada again.

MR. FIX said a person can disembark in Juneau, Ketchikan, Skagway, or Haines without having to show a passport. He said a person could have a gun in those places too.

CO-CHAIR WOOL noted that if he was heading to Anchorage or Fairbanks he would still have to drive through Canada.

REPRESENTATIVE DRUMMOND said there is a cross-gulf connection.

MR. FIX noted that he is not wholly familiar with AMHS operations that far north.

CO-CHAIR WOOL recalled fondly his experience riding the ferry to Haines.

[2:53:27 PM](#)

MR. FIX said he believes the economic benefits of the Bellingham Connection are very large. He noted that the summer run of AMHS runs full of recreational travelers who benefit Alaska's tourism economy. He added that ferry passengers commonly travel to Anchorage and Fairbanks too. He recalled hearing that the second-largest group of AMHS ticket buyers is residents of Anchorage. He said the Port of Bellingham produces the greatest fare box revenue in AMHS. He spoke to the strong economic ties between the State of Washington and SOA, noting that approximately 113,000 jobs in the Puget Sound region are tied to the commerce between the two states. He noted that the Port of Bellingham is an American port with American employees.

[2:54:25 PM](#)

CO-CHAIR WOOL asked how much annual funding the Port of Bellingham gets from the State of Washington.

MR. FIX said it receives zero state dollars for AMHS. He added, "We do have an airport that will occasionally have a project the state requires." He noted that the airport often receives federal funds to fulfill Federal Aviation Administration mandates. He said the port receives state money for environmental cleanups.

CO-CHAIR WOOL asked whether ports in Washington are owned/operated by the state or by the municipalities.

MR. FIX said, "They are all individual municipalities." He explained that the Port of Bellingham is governed by three

independent elected officials. He clarified that it is not part of the city, part of the county, or part of the state. He said each Washington port is unique and has its own governance structure. He contrasted this with a different system found in other states in which the ports are state-operated and governed by appointees.

CO-CHAIR WOOL posited that each port has its own port authority, or something to that effect.

MR. FIX said that is correct. He said he reports to three commissioners who are elected by the community of Whatcom County.

[2:55:47 PM](#)

REPRESENTATIVE RASMUSSEN asked if the port receives State of Washington funds.

MR. FIX answered yes, for the environmental cleanups he mentioned.

REPRESENTATIVE RASMUSSEN asked if the State of Washington would consider a partnership with AMHS.

MR. FIX said he is willing to discuss it but noted he is not able to make decisions on behalf of the State of Washington. He noted that the port employs lobbyists and works closely with the State of Washington. He said he would be happy to work with Representative Rasmussen on that issue.

[2:56:31 PM](#)

REPRESENTATIVE STORY asked for confirmation of something on the handout, that 20,000 passengers travel to/from Bellingham each year, generating \$14.2 million in net profit for AMHS.

MR. FIX clarified that 20,000 is an average figure [from 2014 to 2018]. He noted that some years have seen ridership as high as 30,000 people.

REPRESENTATIVE STORY read another figure that, in 2015, the Bellingham route generated \$21.5 million in revenue for AMHS with \$7.3 million in expenses. She asked how much the Port of Bellingham spends in marketing efforts for tourism to Alaska.

MR. FIX answered, "Not as much as we should." He expressed interest in collaborating to get the most out of marketing dollars. He said current marketing is minimal.

[2:58:04 PM](#)

REPRESENTATIVE CLAMAN sought clarity on the financial relationship between AMHS and the Port of Bellingham.

MR. FIX stated that the port is owned by Whatcom County. He confirmed that SOA has leased the port's ferry terminal for the past 30 years.

REPRESENTATIVE CLAMAN asked where the AMHS terminal was located before the Port of Bellingham.

MR. FIX answered Seattle.

REPRESENTATIVE CLAMAN posited that SOA is already in partnership with the port and the summer season is when "the cash register is running quite rapidly."

MR. FIX said that is correct.

REPRESENTATIVE CLAMAN asked how many vessels make the trip down to the Port of Bellingham.

MR. FIX said there is a year-round Friday sailing and a second sailing during the summer season that departs on Saturdays.

REPRESENTATIVE CLAMAN asked whether a third sailing would likely have high ridership.

MR. FIX answered, "In the summer months, for sure."

[2:59:21 PM](#)

CHAIR WOOL recalled riding the ferry from Seattle to bring equipment to Fairbanks for the purpose of starting a business.

MR. FIX noted that this is a common story and that people often bring equipment up to Alaska via AMHS.

[2:59:42 PM](#)

REPRESENTATIVE STORY asked if Mr. Fix is aware of exactly how many military personnel use the ferry, as well as how many people use it to transport freight and cargo.

MR. FIX answered that the Port of Bellingham does not have access to that information. He said he could get that information from AMHS.

[3:00:03 PM](#)

CO-CHAIR WOOL asked for confirmation that the SOA funding received by Port of Alaska is in the form of lease payments.

MR. FIX said that is correct. He clarified that he believes the cost is locked in until the lease term ends in a few years. He said there are two sources of revenue: the lease of the facility and "reimbursable expenses," which he said include ticketing agents that the port pays on SOA's behalf.

MR. FIX, upon ascertaining that there were no additional questions, thanked the committee for allowing him to testify.

[3:01:04 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:01 p.m.