

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

Anchorage, Alaska

November 20, 2023

1:01 p.m.

MEMBERS PRESENT

Representative Kevin McCabe, Chair
Representative Sarah Vance, Vice Chair
Representative Tom McKay
Representative Craig Johnson
Representative Jesse Sumner
Representative Louise Stutes (via teleconference)
Representative Genevieve Mina

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Julie Coulombe (via teleconference)
Representative Cathy Tilton (via teleconference)

COMMITTEE CALENDAR

PRESENTATION(S): PORT MACKENZIE AND PORT MACKENZIE RAIL
EXTENSION~ PAST~ PRESENT AND FUTURE

- HEARD

PRESENTATION(S): EXPLORING THE FUTURE OF RAIL DEVELOPMENT:
VISION~ PLANS~ FEDERAL FUNDING~ AND EFFICIENT FREIGHT
TRANSPORTATION - AN IN-DEPTH DISCUSSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MIKE BROWN, Manager
Matanuska-Susitna Borough
Palmer, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation, titled "Port MacKenzie: A Small Industrial Port in Upper Cook Inlet."

DAVE GRIFFIN, Manager
Port Operations
Port MacKenzie
Anchorage, Alaska

POSITION STATEMENT: Provided a video overview of Port MacKenzie.

BILL O'LEARY, President and CEO
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint on the Alaska Railroad.

BRIAN LINDAMOOD, Vice President and Chief Engineer
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint on the Alaska Railroad.

MEGHAN CLEMENS, Director
External Affairs
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint on the Alaska Railroad.

ROBERT HALL, President
Houston Chamber of Commerce
Houston, Alaska

POSITION STATEMENT: Provided public testimony on the presentations.

ACTION NARRATIVE

[1:01:27 PM](#)

CHAIR KEVIN MCCABE called the House Transportation Standing Committee meeting to order at 1:01 p.m. Representatives Mina, Sumner, Cronk, McKay, and McCabe were present at the call to order. Representatives C. Johnson and Vance arrived as the meeting was in progress.

**PRESENTATION(S): PORT MACKENZIE AND PORT MACKENZIE RAIL
EXTENSION, PAST, PRESENT AND FUTURE**

[1:02:39 PM](#)

CHAIR MCCABE announced that the first order of business would be a presentation on Port MacKenzie and the Port MacKenzie railroad extension.

[1:04:34 PM](#)

MIKE BROWN, Manager, Matanuska-Susitna Borough, provided a PowerPoint presentation, titled "Port MacKenzie: A Small Industrial Port in Upper Cook Inlet," [hard copy included in the committee packet.]

[1:04:45 PM](#)

DAVE GRIFFIN, Manager, Port Operations, Port MacKenzie, provided a video overview of Port MacKenzie.

[1:05:01 PM](#)

MR. BROWN stated that the presentation would provide an overview of Port MacKenzie and the Port MacKenzie Rail Extension (PMRE). He provided a short video on the overview that featured Mr. Brown. He moved to slide 3 and showed a map of the proposed access to the port. He discussed this in further detail, indicating the locations of PMRE and the West Susitna access road. He moved to slide 4 and discussed the deep draft dock and barge dock. He stated that of the 9,000 acres of land adjacent to the port, 7,000 are available for development. He pointed out the port's equipment and services, which include a 7,000 square-foot terminal building that could be used for office space.

[1:13:50 PM](#)

MR. BROWN, in response to a committee question, stated that the 9,000 acres of land in the Port District is publicly owned. He said that there are some state components, such as the University of Alaska land. He added that the private property around the area is small.

[1:15:24 PM](#)

MR. BROWN moved to slides 5 through 7 and displayed several pictures of Port MacKenzie. He stated that one of the key features of the port is the land available beyond the 9,000

acres, as seen in the photos. He noted the 370-foot face of the barge dock and the deep draft dock at 1,200 feet. He pointed out the amount of space available for moving cargo on and off the vessels and the paved access to the uplands.

[1:17:50 PM](#)

MR. BROWN, in response to a committee question, stated that there is a slide to explain the plans for the barge ramp.

MR. BROWN, in response to a committee question, explained how the conveyor belt, which was originally built for wood chips, was used in this capacity. In response to a follow-up question, he stated that concerning the idea of exporting woodchips, the timber would have come from the borough. He suggested that this was not successful because of the spruce bark beetle problem.

MR. BROWN, in response to a committee question, stated that the conveyor belt had been used for a coal test shipment, but there were challenges with this.

[1:21:04 PM](#)

MR. BROWN moved to slides 8 through 10 and displayed several images of the port's usage. He moved to slide 11 and pointed out the plans for future work on the port. He stated that there are several federal grants for this, including a grant for the deep draft dock pile sleeves, as these would extend the life of the dock. He noted the addition of a 300-foot by 200-foot barge ramp, as this would add barge-maintenance capability to the port and give barges an extended-stay capability. He discussed the purchase of a 75-ton mobile harbor crane using another federal grant.

MR. BROWN, in response to a committee question concerning how the Alaska Marine Highway System (AMHS) would work with Port MacKenzie, stated that the borough is a sponsor of a AMHS smaller route to Port MacKenzie. Because of this, he stated that the borough pursued a federal grant for marine highway systems. He added that the grant program is meant for smaller projects.

[1:26:43 PM](#)

MR. BROWN continued to slide 12 and gave a brief overview of PMRE. He pointed out the project highlights, as seen on the slide. He noted that the next presentation would cover the

funding needed for the project. He pointed out the 32-mile rail extension project to Houston, which already has embankments constructed for segments 1,3,4, and 5. He stated that all the segments except segment 6 would require tracks, ties, and ballasts. Concerning the challenges, he pointed out that the funding for PMRE had stalled in 2015, adding that all the funding had come from the state. He noted that [because of the lack of funding] the project has been stalled for a number of years, and now there is a focus of working toward completion. He advised that using federal funding would "federalize" the project, as a new Environmental Impact Statement (EIS) would be required.

[1:30:09 PM](#)

MR. BROWN, in response to a committee question, stated that the right of way for segment 2 has been completed, but there are further issues that would have to be addressed in 2025 due to an easement on Native lands. He stated that other than this all the rights of way have been acquired, along with permits.

MR. BROWN, in response to a committee question concerning maintaining the railroad once it is complete, stated that there have been discussions about transferring the rights of way to the Alaska Railroad Corporation upon completion; however, at this point the borough has retained it. He stated that the borough's retention would allow conversations on multiuse corridors, but since the funding has stalled these conversations have stalled. In response to a follow-up, he stated that the railroad would go as far as Houston, where it would connect to the mainline railroad. From this point the railroad goes north to Fairbanks and south to Anchorage. In response, he asserted that from the port, cargo could be moved through these routes.

[1:33:58 PM](#)

MR. BROWN moved to slides 13 and 14 and gave a brief overview of land ownership in the Port MacKenzie and the West Susitna areas. He noted that the Port District is zoned for industrial and commercial usage, so the permitting is different than other areas of the borough. He discussed that west of the Port district is 700,000 acres, with 90 percent publicly owned, predominately by the state. He argued that this is the one port in Upper Cook Inlet that has access to both land and tidewater; therefore, it holds potential and opportunity for the state.

MR. BROWN concluded on slide 15 and gave a summary of the key takeaways, including Port Mackenzie's land and tidewater access, community support, proximity to a workforce and infrastructure, and location that is a transportation crossroads. He pointed out that the port is set up for industrial and commercial purposes. He discussed energy grants and tax credits from the federal government, along with expressed interest from international sources.

[1:40:35 PM](#)

MR. BROWN, in response to a committee question concerning the advantages that Port MacKenzie has over the Port of Anchorage, stated that this is not about competition. He expressed the understanding that the goals for Port MacKenzie and the Port of Anchorage are different, as Port MacKenzie is about creating industrial and commercial resiliency. He reiterated that Port MacKenzie is different because of its access to land.

MR. BROWN, in response to a committee question concerning EIS, stated that he did not have this job when the EIS was completed; however, he expressed the understanding that there was mitigation done for the wetlands and retention for recreational uses in the area. He stated that any disturbances were offset with credits and procured as part of the project. In response to a follow-up question concerning federalizing the project, he expressed the understanding that the borough wants the project completed, as the investment from the state has been large and unrealized up to this point. He suggested that the project is "not that far away" from being completed. He continued that the borough is not opposed to the federal route, but the differences would need to be made clear.

MR. BROWN, in response to a committee question concerning the corridor that would be created by the project, pointed out that natural gas transportation stops in the Houston area, and currently there is not the capacity to extend this. He suggested that the PMRE corridor could be used for a gas line. He discussed how the corridor could be a multiuse utility corridor with internet fiber, power, and natural gas.

CHAIR MCCABE commented that these corridors have been used in other countries as multimodal corridors. He suggested that this usage would be a way to create acceptance and funding.

[1:48:15 PM](#)

The committee took an at-ease from 1:48 p.m. to 1:53 p.m.

**PRESENTATION(S) : EXPLORING THE FUTURE OF RAIL DEVELOPMENT:
VISION, PLANS, FEDERAL FUNDING, AND EFFICIENT FREIGHT
TRANSPORTATION - AN IN-DEPTH DISCUSSION**

[1:53:36 PM](#)

CHAIR MCCABE announced that the final order of business would be a presentation by the Alaska Railroad Corporation.

[1:54:26 PM](#)

BILL O'LEARY, President and CEO, Alaska Railroad Corporation (ARRC), co-presented a PowerPoint on the Alaska Railroad [hard copy included in the committee packet]. On slide 2, he began the presentation by stating that ARRC looks at the Port MacKenzie Rail Extension (PMRE) and the Northern Rail Extension (NRE) as critical economic development projects for the state. He pointed out that Alaska is lacking in basic infrastructure, especially concerning bringing stranded resources to market. He expressed the understanding that ARRC is supportive of both of these projects, as these support the mission of ARRC, which is being an agent for economic development for the state. He pointed out that both projects have laid fallow for 10 years. From discussions with stakeholders, he expressed the understanding that this is the time to move these projects forward again. He stated that ARRC cannot do this on its own; therefore, partnerships need to be discussed.

MR. O'LEARY moved to slide 3 and discussed railroad safety. On slide 4, he pointed out the railroad's mission statement, with the three priorities being safety, service, and profitability. He moved to slide 5 and gave a brief overview of ARRC's organization, operating statistics, operating data, and employees. He discussed the federal government's role in the beginning of the railroad. He remarked that the state bought the railroad in 1985 from the federal government, and it was setup as a state corporation. He stressed that ARRC's debts are its own, and not debts of the state. He added that no general funds go to the railroad, but there are still some requirements by the state, such as reports.

[2:06:05 PM](#)

MR. O'LEARY, in response to a committee question, stated that no tracks have been added to the railroad since the state took over from the federal government.

MR. O'LEARY discussed the infrastructure that the railroad provides to the state, which includes the freight and passenger service and the rail freight link with barges. He moved to slide 6 and pointed out the breakdown in its revenue sources, and he pointed out that freight is the largest portion. He discussed how the operating expenses are the basis for its capital budget, as this is the one statistic which represents how well the railroad is doing.

MR. O'LEARY, in response to a committee question concerning the investment ARRC makes into its freight operations, stated that the Federal Transit Administration (FTA) formula monies can only be applied to passenger services; therefore, internal funds go to items that are not eligible for FTA funds, such as freight and real estate. He added that because there is only a single track, passenger tracks are maintained with FTA monies; therefore, the freight services would indirectly benefit from this. He expressed uncertainty concerning the split between real estate and freight internal funding. In response to a follow-up question concerning ARRC charging other state agencies for land use, he stated that the model is for ARRC to be self-sustaining. He stated that about half of its land is used in its operations, while the other half would be available for other uses, and this involves leases. He noted the difficulty in running the railroad in the state, and having the land for lease has been consistent revenue for ARRC, and this is often used as a reinvestment into the railroad. He stated that due to hard work, the railroad is now making money, unlike the past. He reminded the committee that most other state-owned railroads in the country receive state subsidies, while ARRC does not.

[2:14:01 PM](#)

BRIAN LINDAMOOD, Vice President and Chief Engineer, Alaska Railroad Corporation, in further response to the committee question, stated that currently ARRC is not directly charging the Department of Transportation and Public Facilities (DOT&PF) for land usage outside of the rights of way. He explained that there is a substantial amount of money that goes back and forth between the agencies, but some of this is because of federal requirements. In some projects, facilities are shared, and ARRC is paid to do some of the work, but this could go both ways. He

added that DOT&PF has responsibility for some of the rail crossings, and it pays ARRC to maintain these.

CHAIR MCCABE commented that the biggest complaint he has heard about the railroad concerns the rights of way on state land and the safety of some of these.

[2:17:29 PM](#)

MEGHAN CLEMENS, Director, External Affairs, Alaska Railroad Corporation, co-presented the PowerPoint on the Alaska Railroad. She moved to slide 8 through slide 10 and gave an overview of the five-year capital investment plan. She stated that the plan mostly consists of the maintenance and support of the infrastructure. She focused on the bridge and track programs, as these make up a large amount of the budget. She noted that with the 100-year anniversary of the railroad, much of the infrastructure is old, such as 100-year-old bridges. She said that a \$10 million plan will replace over 50 bridges over the next 10 years. She noted the toll that environmental challenges take on tracks. She noted that there are some grants that would fund this maintenance.

MS. CLEMENS discussed the plans for the Whittier Terminal, the Seward Freight Terminal, and the Seward Passenger Dock. She pointed out that a grant has been designated for the Seward Freight project. For the passenger dock, she noted that ARRC is looking for additional funding to support this.

[2:22:21 PM](#)

MS. CLEMENS, in response to a committee question, affirmed that ARRC owns the Seward Passenger Dock and there has already been a \$30 million bond passed for this.

MR. O'LEARY, in response, stated that two years ago ARRC sought legislature authority to issue public debt, so at that point the project was around \$60 million; however, since this time there has been a change of scope, and an additional bond authorization would be required. In response to a follow-up question, he stated that bonds would be used for very large projects. He pointed out that no customers have been identified for the [Port MacKenzie Rail Extension], so ARRC cannot justify building the project.

MS. CLEMENS, in response to a committee question, stated that PIDP stands for "Port Infrastructure Development Project" and

MARAD stands for "Maritime Administration." She added that MARAD is federal. In response to a follow-up question, she confirmed that ARRC can do MARAD funding because it owns the Seward Passenger Dock.

[2:26:50 PM](#)

MS. CLEMENS continued to slide 11 and discussed ARRC's competitive grant strategy. She reiterated that there are needs associated with bridges, tracks, and facilities. Concerning pursuing these projects, she stated that ARRC would first have to ask whether it has the resources to pursue grants and meet federal and nonfederal requirements. She addressed the cost-benefit analysis when pursuing grants.

MS. CLEMENS continued to slide 12 which displayed a snapshot of ARRC's activities concerning competitive grants for the last five years. She pointed out that ARRC has been successful, as it has secured over \$46 million in federal funding during this time frame. She pointed out the grants that had not been awarded, which totaled around \$41 million.

[2:30:51 PM](#)

MS. CLEMENS, in response to a committee question, stated that all awarded grants must meet the benefits-cost analysis. She noted that one benefit in this analysis includes the removal of large-truck traffic from highways. The benefits would also include emissions reduction, decreased wear on the roadways, and increased quality of life in communities. She stated that this is all part of the analysis.

MR. LINDAMOOD, in response to a committee question concerning the federal government's metric, stated that ARRC uses the return-on-investment metric like any business, while the federal government uses the benefits-cost analysis. He stated that the federal government would be looking at greater things other than just return, such as impacts to economically disadvantaged areas.

MR. O'LEARY, in response to a committee question concerning the railroad being a monopoly, stated that the railroad does not focus on maximizing profitability, but it focuses on being self-sustaining. He expressed uncertainty about any areas where ARRC would be a monopoly. He expressed the opinion that ARRC has competition concerning freight, passengers, and real estate, and this is considered in all its dealings.

MR. LINDAMOOD, in response to a committee question concerning grants for PMRE, stated ARRC has been involved with this. Concerning partnerships, he pointed out that the Matanuska-Susitna Borough had put the grants together, while ARRC did support work.

MR. O'LEARY stated that ARRC is ready to take the leadership role and partnership role in working with the borough and stakeholders to bring PMRE "across the finish line."

[2:38:35 PM](#)

MR. LINDAMOOD continued to slide 13, which addresses PMRE. He stated that the Federal Surface Transportation Board has sole discretion over rail extensions, and the borough has the permits. He explained that the grants would go to the borough, which would use ARRC as a contractor. He moved to slide 14 and discussed PMRE project accounting. He moved to slide 15 and discussed the project status, including roadbed preparation, signal construction, facility construction, and track construction. He discussed the funding needed to continue construction, which includes the pursuit of the Build-Back-Better Grant and legislative requests.

[2:43:52 PM](#)

MR. O'LEARY, in response to a committee question concerning PMRE and the U.S. Department of Defense and other potential customers, stated that in 2014 there was more interest. He stated that now there is more interest from the energy sector concerning liquified natural gas (LNG). He stated that there has been a recent discussion with the military, but this was related to the NRE project.

MR. LINDAMOOD, in response to a committee question concerning steel to make rail, stated that this is relatively available.

MR. LINDAMOOD, in response to a committee question concerning the progress of the project and how to explain the cost to constituents, stated that the cost from 2012 to 2020 increased around 30 percent, with another 30 percent increase from 2020 to 2023.

MR. O'LEARY, in response to a committee question, expressed the opinion that the railroad does not have a monopoly because it faces competition in every aspect of its business. He argued

that the vast majority of the customer interaction is through contracts, and he expressed the understanding that the pricing in these contracts reflect the model ARRC is working under.

MR. LINDAMOOD, in response to a committee question concerning what recourse a municipality would have concerning crossing contracts, stated that crossings are there for convenience, and the crossing is maintained by the railroad. He stated that this is billed per the cost incurred, and per any extra charges there would be an advance notice. He discussed the safety issues and costs incurred for this and the cost for upgrading parts.

MR. O'LEARY, in response to a committee question, expressed the understanding that there have not been any studies on the economic liability for PMRE.

CHAIR MCCABE commented that there are only four salt water ports in the country that are not connected to a railroad. He argued that if PMRE is built, more resources would be available, and this would attract the customers.

MR. O'LEARY, in response to a previous question concerning who the customers and partnerships are, stated that ARRC needs to have partnerships with the borough and other businesses to have a chance at "penciling out the benefit-cost analysis." He added that this analysis would help procure the federal grant and this would help provide the customers.

MR. LINDAMOOD, in response to a committee question on whether the benefit-cost analysis is subjective, stated that for the federal competitive grants, the federal government dictates what is included in the benefit-cost analysis. He stated that a contractor that is familiar with the requirements is generally used.

MR. O'LEARY, in response to a committee question, expressed uncertainty concerning how much of the freight revenue is from military money. He stated that the military is a good customer for ARRC.

[3:02:00 PM](#)

MR. LINDAMOOD, co-presenting the PowerPoint on the Alaska Railroad, moved to slide 16 and slide 17, titled "Estimated Cost to Complete." He stated that a third party was hired to estimate the cost to finish the PMRE project. He discussed the detailed list of costs, with the total of these costs resulting

in around \$231 million. He pointed out that this cost is as of today, but considering inflation and other factors, the project would cost over \$100 million more.

MR. LINDAMOOD, in response to a committee question, stated that if the project takes three years to complete, the funding would be divided by three, with each year needing funding.

MR. LINDAMOOD continued to slide 18 and discussed the Northern Rail Extension (NRE) project. He explained that this project was envisioned to expand military access. He went through the timeline, as seen on slide 19. He pointed out that the project was broken into phases as it grew. He moved to slide 20 and discussed phase one, or the Tanana Bridge project, which resulted in the longest bridge in the state. He stated that the bridge was funded through the U.S. Department of Defense and from state appropriations. The bridge was completed in 2014, and it is used by the military.

MR. LINDAMOOD continued to slide 21 and discussed the next phases after the Tanana Bridge. He stated that phase two would entail moving the rail up to North Pole, phase three would extend the rail to the Donnelly Training Area, and phase four would go from Donnelly to Delta Junction. He discussed the difference with PMRE and NRE, noting that PMRE does not need additional federal evaluation, unless there are any potential federal grants. However, he stated that NRE would likely need multiple reevaluations from different agencies. He pointed out that federal land ownership in the NRE project areas would need to be addressed, and this could cause further delays. Once challenges are addressed, he estimated that it would take five years to build the NRE project.

MR. LINDAMOOD continued to slide 23 and stated that the NRE budgetary estimate is around \$1.7 billion. He noted that the actual plans for the project are not complete, so these numbers could vary.

[3:13:11 PM](#)

MS. CLEMENS continued to slide 24 and discussed the funding strategies for PMRE. She noted that there has been no federal funding for this project up to date, as federalizing the project could bring some risks, such as time delays from reviewing EIS. However, she pointed out that federal funds also bring benefits. She gave details on the three potential funding sources for both

PMRE and NRE, as seen on the slide. She noted that each of these have a 20 percent funding match.

3:17:03 PM

MS. CLEMENS, in response to a committee question concerning the total grant amount possible, stated that to compare the total amount with the total costs of the project, the timeframe would need to be considered. She expressed the opinion that the idea of receiving a lumpsum would be ambitious. She stated that this is all in the discussion of what is available and supported with nonfederal matches, as the larger the grant, the larger the match would be.

MS. CLEMENS moved to slide 25 and discussed funding strategies for NRE. She reiterated that the three grant opportunities seen on the previous slide could be relevant for NRE. She suggested that with the history of the military in this project, there would be military grants available; however, she expressed the opinion that there would not be a big ear mark like the one that had come in the beginning of the project.

MR. O'LEARY, in response to a committee question concerning toll roads, stated that ARRC is open to any funding ideas. He discussed the needs for partnerships because ARRC's balance sheet does not show any additional funding. He stated that at this point ARRC is talking to "anybody and everybody about this," as the commercial opportunities need to be understood. He discussed the funding matches, reiterating the difference between PMRE and NRE concerning federal funding.

MR. O'LEARY, in response to a committee question concerning other aspects of the benefit-cost analysis, expressed support on behalf of ARRC for the projects and the idea of building infrastructure in the state. He pointed to the second bullet on slide 27, which addresses balancing growth with the essential maintenance of existing assets. He argued that much of the economy in Alaska is stranded because of the lack of infrastructure.

3:27:02 PM

REPRESENTATIVE CRONK commented on the undeveloped resources in the state, arguing that the state needs a vision.

MR. O'LEARY, in response to a committee question concerning statutory requirements, stated that in the past there had been a

line on the very back page of the annual report outlining any entities interested in purchasing the railroad. He expressed the understanding that over the past 10 years there has not been any discussion of this.

CHAIR MCCABE expressed the opinion that the unfinished railroad projects are hurting Alaskans.

MR. LINDAMOOD, in response to a committee question, stated that the military training grounds are all on federal lands.

[3:36:18 PM](#)

CHAIR MCCABE opened public testimony.

[3:36:52 PM](#)

ROBERT HALL, President, Houston Chamber of Commerce, gave public testimony on the presentations. He expressed support of the railroad projects on behalf of the Houston Chamber of Commerce. He expressed the opinion that the key to economic success in the state would be the ability to move goods and natural resources to market. He stated that PMRE should be part of the state's development for the next 100 years. He discussed the LNG savings the extended rail to Fairbanks would create. He noted that no industrial customers are coming forward; however, he argued that currently there are many combined uses of the railroad to justify the completion of these projects. He expressed the importance of the committee meeting and pointed out that the Alyeska pipeline was not built overnight.

[3:39:56 PM](#)

CHAIR MCCABE closed public testimony.

[3:40:34 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:40 p.m.