

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

February 9, 2010

5:19 p.m.

MEMBERS PRESENT

Representative Jay Ramras, Chair
Representative Mark Neuman
Representative Chris Tuck

MEMBERS ABSENT

Representative Mike Chenault
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Reggie Joule
Representative Harry Crawford
Representative Lindsey Holmes

OTHER LEGISLATORS PRESENT

Senator Linda Menard
Representative Bill Stoltze

COMMITTEE CALENDAR

PRESENTATION: PORT MACKENZIE RAILROAD EXTENSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

RICK MYSTROM, Economic Development Advisor
Matanuska-Susitna Borough; Consultant
Alaska Railroad Corporation (ARR)
American Multiplex
Anchorage, Alaska

POSITION STATEMENT: Gave a presentation on the Rail Extension Project.

PAT GAMBLE, President and CEO

Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Assisted with the Rail Extension Project presentation and answered questions.

JOHN DUFFY, Borough Manager
Matanuska-Susitna Borough
Palmer, Alaska

POSITION STATEMENT: Gave a presentation on the Southcentral Rail Extension Project and discussed growth in the Matanuska-Susitna Borough.

PAUL METZ PhD, DIC, P.G., Director
Mineral Industry Research Laboratory
University of Alaska Fairbanks
Fairbanks, Alaska

POSITION STATEMENT: Gave a presentation titled "Mineral Occurrences and Potential Sources of Freight for the Alaska Railroad Extensions - Port MacKenzie to the Canadian Border."

STEVE COLT, Associate Professor of Economics
University of Alaska Anchorage (UAA) Institute of Social and Economic Research (ISER)
Anchorage, Alaska

POSITION STATEMENT: Gave a presentation titled, "Benefit-Cost Assessment of the Port MacKenzie Rail Extension."

JOE PERKINS
Perkins Consulting
Douglas, Alaska

POSITION STATEMENT: Testified in support of the Rail Extension Project.

DAVE TALERICO, Mayor
Denali Borough
Healy, Alaska

POSITION STATEMENT: Testified in support of the Rail Extension Project.

BOB LACKER, Vice President
Business Development
CH2MHILL
Anchorage, Alaska

POSITION STATEMENT: Testified in support of the Rail Extension Project.

ACTION NARRATIVE

CHAIR JAY RAMRAS called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 5:19 p.m. Present at the call to order was Chair Ramras. Representatives Tuck and Neuman arrived as the meeting was in progress. Also present were Senator Menard and Representative Stoltze.

5:20:00 PM

Presentation: Port MacKenzie Railroad Extension

5:20:31 PM

REPRESENTATIVE RAMRAS announced the first order of business would be a presentation on the Port MacKenzie Rail Extension project by Rick Mystrom, the former mayor of Anchorage, and Pat Gamble.

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RICK MYSTROM, Economic Development Advisor, Matanuska-Susitna Borough; Consultant, Alaska Railroad Corporation (ARR), informed the committee he is working on behalf of the Matanuska-Susitna Borough and the Alaska Railroad Corporation (ARR), co-sponsors of the Port MacKenzie Railroad Extension project. He prefaced his remarks by calling attention to the three times in the past 30 years of Alaska's history when state government and the legislature have had the need, or the opportunity, to help the economy. Firstly, in 1981, after the loss of jobs from completion of the Trans-Alaska Pipeline System (TAPS), the legislature and the Hammond Administration created a program that gave \$1,000 per citizen per year, for three years, to each community for capital projects. Secondly, in 1986, the economy was down again, but the state pulled back to save money thus creating a depression, and right now is the "third opportunity, or the third time of need." He opined the economy is starting to go down; however, that is the time for the state to invest in infrastructure and projects that create jobs. Mr. Mystrom then began his presentation on the rail extension project and its economic benefits to Anchorage, Mat-Su, Denali Borough, and Fairbanks; he called this area the "central Alaska regional economy." Because this is the time of economic uncertainty about the economy, energy availability and costs, gas line construction, the future of TAPS, the Small Business Administration contracting program for Native business, and explorations in the Chukchi and Beaufort Seas, it is also the time for the state to think about infrastructure investment.

Known for certain are two things: Alaska's economy is not fully diversified, and there is a lack of transportation infrastructure that is needed to promote economic development. Mr. Mystrom advised that the major solution to the transportation infrastructure problem is the rail extension from Port MacKenzie to the mainline of the ARR.

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MR. MYSTROM displayed slide 4 of the presentation titled "Rail Extension Project: Economic Benefits to the Central Alaska Regional Economy," that was a map of the three options for a rail extension from Port MacKenzie to the mainline under consideration by the U.S. Department of Transportation Surface Transportation Board. The three options are: a line passing near Big Lake; one of two lines to Houston; or a line to Willow. A decision from the transportation board is due in March.

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REPRESENTATIVE STOLTZE asked which option was best.

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MR. MYSTROM opined the Houston option was best; however the federal government will make the choice based on environmental issues. He then itemized what the rail extension would mean to the regional economy: (1) opens up the Interior to resource development; (2) facilitates the development of a world class limestone deposit in Livengood north of Fairbanks; (3) facilitates the development of a cement production facility near Fairbanks; (4) opens up a development corridor along the Railbelt to the exploration and extraction of minerals; (5) improves the transportation of lower-cost fuel to Interior and Southwest Alaska; (6) improves the competitiveness of Alaska coal and other aggregate minerals; (7) reduces transportation and staging cost for construction of the gas pipeline; (8) increases employment in the Mat-Su, Denali, and Fairbanks North Star Boroughs, and Anchorage. Mr. Mystrom advised that the rail extension will have the aforementioned impacts because it is working together with Port MacKenzie. He explained that Port MacKenzie is a bulk commodities port, not a consumer commodities port like the Port of Anchorage; therefore, it complements, instead of competing with, the Anchorage port because the Anchorage port does not have sufficient space to stage aggregate shipments. In fact, Port MacKenzie has 9,000 acres, or 14 square miles, of industrial zoned land that does not compete

with housing or commercial zoning. Slide 12 showed that Port MacKenzie has a 60 foot mean low tide that can accommodate ships that cannot get into the Port of Anchorage; furthermore, there is no dredging required. In response to Representative Stoltze, he estimated the dredging costs in Anchorage are \$13 million per year to the federal government.

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MR. MYSTROM advised although the Port of Anchorage will "always be the most important port in Alaska," Port MacKenzie can handle panamax vessels that traverse the Panama Canal, and capesize vessels that are too big for the Panama Canal. In addition, the port is designed to handle barges carrying bulk commodities such as minerals, coal, and aggregate. Slide 15 displayed the planned construction of the barge dock expansion area to be completed this summer. Further work to accommodate tractor-trailer truck loading and unloading is permitted and "ready-to-go." Mr. Mystrom asked Pat Gamble to describe the function of the rail loop displayed on Slide 17.

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PAT GAMBLE, President and CEO, Alaska Railroad Corporation, explained that when the railroad is hauling bulk cargo like gravel, the preferential way to approach the cargo and depart the area "is to come in head-in, load, and head back out. We don't do that in the Port of Anchorage, we break the train up." Moving the train in parts and pieces is very inefficient; in fact, with a loop track like the one designed for Port MacKenzie, the entire train can off-load almost simultaneously.

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MR. MYSTROM encouraged the committee to think about how cost-effective it would be to transport all of the minerals and products from the Mat-Su, Denali, and Fairbanks North Star Boroughs south and back. Slide 18 displayed the potential pipe storage and staging area available to the Port. He described the indirect shipping procedure for pipe currently going to the Liberty Mine on the North Slope, and the potential for cost savings by shipping pipe from Japan directly to Port MacKenzie. Slides 19-21 displayed various construction projects in the surrounding area. Slide 22 displayed the M/V Susitna that is a new ice-breaking ferry currently under construction in Ketchikan. He said the ferry will be christened in March and in-service by April of 2011.

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REPRESENTATIVE RAMRAS announced the upcoming hearing with Alaska Ship & Drydock, Inc. He described various aspects of the M/V Susitna.

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REPRESENTATIVE STOLTZE expressed his trepidation over the management of the ferry.

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MR. MYSTROM displayed slide 28 that showed the ferry route from Kenai to Anchorage, Port MacKenzie, and Tyonek. Slide 29 displayed the recently constructed ferry terminal at Port MacKenzie. Slide 33 displayed the estimated number of jobs that would be created by the project: 3,000 construction related jobs from 2010-2013; 500 Port MacKenzie construction related jobs from 2010-2013; 4,000 private sector mining jobs along the rail line; 3,500 industrial development jobs in Port MacKenzie. The job estimates were provided by HDR, Inc. and the UAA Institute for Social and Economic Research (ISER). Mr. Mystrom turned to the status of the rail extension project and said that \$10 million has been spent on the environmental impact study that will be available in March. Presently, \$17 million is being spent on the construction of the loop; however, \$57 million is now needed from the state to keep the project going. Finally, completion of the project will cost an additional \$175 million, for a total of \$225 million.

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REPRESENTATIVE RAMRAS asked Representative Stoltze in his capacity as a Co-Chair of the House Finance Committee, "What could be more important to this region than including in the state's capital budget, \$57 million for this project?"

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REPRESENTATIVE STOLTZE suggested the administration should be asked why this project was not included in the base of the capital budget. He opined this project is unique, would diversify the Mat-Su economy, and would tie the economic units of the region together; in fact, support for this project even comes from communities outside the region. He has heard that

the railroad sometimes has a loss of revenue, but that is the only "negative." Representative Stoltze said he was "baffled" that this project was excluded from the governor's capital budget as the budget did include projects with less statewide impact.

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REPRESENTATIVE RAMRAS asked Representative Neuman to address the opportunities for resource development in the area.

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REPRESENTATIVE NEUMAN said the resource development opportunities go to the export of coal and other minerals. The expansion of the port itself could include gas-to-liquids facilities and tank farms to help distribute Alaska resources around the world. Port MacKenzie is a key component. He said he would compare the cost of this project with other programs that are spending money on capital projects, but the highest priority is for capital projects that create further job opportunities for Alaska.

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SENATOR MENARD asked whether this presentation has been brought forward to the governor; actually, others may not be aware of "how far this project has moved along."

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MR. MYSTROM advised the governor had seen the first stages of the presentation. He said the governor had no objection to the project; however, the capital budget was already going to the legislature.

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REPRESENTATIVE STOLTZE observed the governor has suggested a capacity of \$100 million worth of add-ons from the legislature and this project would be "a 60 percent bite for just the Mat-Su."

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MR. MYSTROM acknowledged it is difficult to explain to someone outside the region why it is best for this amount of money to go

to one region. He compared spending \$225 million on this project to an equal amount put in the Constitutional Budget Reserve (CBR); the money put in this project could create 3,500 jobs beginning right away, but the same amount in the CBR "might get an extra job and a half for an account ... money manager in New York." He then asked, "Which is best for Alaska?"

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SENATOR MENARD encouraged the presenter to make this argument before the governor.

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REPRESENTATIVE RAMRAS suggested that the presentation should be put on the calendar again in early April when the final decisions are being made.

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MR. GAMBLE turned to the subject of the operational cost of the project. He stressed that once the track is built, unlike a road, the state does not have to maintain it as ARR crews do the maintenance on the infrastructure. The ARR has compared the cost of a train going to Seward with one going to Port MacKenzie with a specific load, but it did not include the analysis of the volumes designed to move bulk minerals to large ships. These products are purchased in bulk and "when you start adding that bulk up, and the number of trains, and the cycle time improvement that you get ... you're starting to talk some real money." This would enable the railroad to turn that profit back in as capital investment; in fact, the mission of the railroad is economic development and he gave examples of capital improvements in which the railroad has invested millions of dollars. Mr. Gamble imagined the state and legislature would look at this worthwhile project not as an expense, but as a super-investment to get the kind of customers and business that the state government wants.

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REPRESENTATIVE STOLTZE expressed his belief that opening this area is also a benefit for other regions of the state.

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REPRESENTATIVE RAMRAS observed that the transportation committee and the full Chamber of Commerce in Fairbanks have endorsed the rail extension. He then asked Mr. Gamble for the impact on the rail extension if the port is not completed.

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MR. GAMBLE opined this is an opportunity to design the area for its potential customers and customize the approach, dock, and off-load capability for handling Alaska's mineral products. He remarked:

Driving down to the edge of the bluff and then not being able to deliver it to that largest ship that you saw ... wouldn't work.... It's a system, and that part of the system being incomplete would ... be problematic. You would still be able to move things, but at very small volumes, and not at anywhere near the potential."

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MR. GAMBLE, in response to Chair Ramras, assured the committee that growing the port can improve Alaska's connection to the rest of the Pacific Rim; however, when the port is marketed to customers, it must be ready to produce huge volumes of Interior resources for a foreign customer.

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JOHN DUFFY, Borough Manager, Matanuska-Susitna Borough, displayed a map that illustrated the location of Port MacKenzie in the Mat-Su Borough. He opined that although the Mat-Su Borough covers 25,000 square miles, Anchorage and Mat-Su are in one regional economy which is connected to the Interior. Mr. Duffy informed the committee that the Mat-Su Borough is exceeding forecasted high growth rates and displayed slides from a presentation titled "Southcentral Rail [Extension] Project," that showed the changes brought about by adding transportation infrastructure to various areas over a 20-year period. The growth rate in the borough has been about 4 percent for the last 10 to 15 years, and is at 2.5 percent to 3 percent today. He predicted that the population will double by 2019 and the borough needs to have economic opportunities for everybody. Mr. Duffy displayed slides of new schools and other capital projects in the borough. In response to Senator Menard, he confirmed that the schools shown are the first Leadership in Energy and

Environmental Design (LEED) high school and middle school in the state, and both were built ahead of schedule and under budget.

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REPRESENTATIVE RAMRAS asked for the number of construction jobs in the area and what percentage are local hire.

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MR. DUFFY said there are approximately 325 jobs and there is 98 percent local employment.

SENATOR MENARD expressed her appreciation for [Neaser Construction, Inc.].

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REPRESENTATIVE RAMRAS agreed.

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MR. DUFFY then turned attention to the Southcentral Rail Extension and explained that the rail extension will "work" because it is connecting to the northern-most deep-draft dock in North America. It is also the only place in Alaska with room for a 100 car rail loop adjacent to tidewater deep enough for capesize vessels. To expand on the previous presentation, he noted that the land is zoned for commercial and industrial development and the borough owns title to the tidelands. Furthermore, the barge dock expansion to the deep-draft dock is fully permitted and will be built with economic stimulus funds beginning in March and completed in October; in fact, the dock will operate year-around and ice is not a problem. Mr. Duffy turned to the subject of the M/V Susitna and reminded the committee that it was the Mat-Su Borough, one of the partners building the ship along with the Office of Naval Research and [Alaska Ship & Drydock], that required that the ferry was built in Alaska. He displayed slides that showed the operation of the car barge and said when the car barge is down, the vessel has a draft of four feet which allows it to load on the beach. When the car barge is up, the vessel operates as a catamaran and travels at a speed of 35 knots. The M/V Susitna is the first ice-breaking catamaran in the world. Mr. Duffy continued to the discussion of the Southcentral Rail Extension and displayed a slide that showed the Environmental Impact Statement (EIS) corridors and repeated several slides that were shown earlier.

He pointed out the construction of the rail loop is in progress because it is outside the boundaries of the EIS. Additional slides displayed the borough's visions of off-loading coal from a train to ships, and loading cement for export.

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REPRESENTATIVE STOLTZE asked for a description of how the cost of cement can change the economics of construction.

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MR. DUFFY affirmed that cement has been imported into Port MacKenzie from China and that has lowered the price of cement in the market in Southcentral by "several million dollars."

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REPRESENTATIVE STOLTZE related some of the history of the funding and support for the rail extension.

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MR. DUFFY continued to say that the rail extension also has national security significance because the large lay-out areas allow military equipment to be loaded onto ships very quickly without lightering. He reviewed other benefits of the project: \$533 million in transportation savings to the state over 20 years; a benefit cost ratio of 1.9:1; benefits to the state from new mines; and \$6.3 billion in state revenue. Mr. Duffy said the project is an answer to the dwindling oil fields on the North Slope.

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REPRESENTATIVE RAMRAS asked for details on the estimated state revenue and gross metal value.

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MR. DUFFY explained that the gross metal value is estimated over a 30-year period and the state revenue estimate is based on projected royalties, corporate income taxes, permit fees, and permanent jobs. In response to Chair Ramras, he agreed that this is the foundation necessary to build communities. Additional benefits include: cost savings on the construction of the natural gas pipeline and the benefit of \$61 million to

\$737 million per year for 100 years from the development of Interior resources. Turning to the subject of rail project scheduling, he said the project is almost complete with Phase 2, and is need of \$57 million to continue on with Phase 3. Mr. Duffy concluded his presentation by noting that 2013 remains the scheduled completion date for the project.

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REPRESENTATIVE RAMRAS praised the worthiness of the project.

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SENATOR MENARD thanked the presenter.

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REPRESENTATIVE TUCK observed that the two cheapest means of transportation worldwide are water and rail. In fact, the railroad is the veins and vessels of the U.S. economic system and part of the reason the U.S. is a superpower. He opined that Alaska needs to benefit from its resources; however, his experience on the airport planning commission revealed that the Ted Stevens Anchorage International Airport is out of room for air freight, and expansion to Port MacKenzie for water transportation and rail would complete the transportation systems of water, rail, and air. Representative Tuck expressed his enthusiasm for the project.

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PAUL METZ PhD, DIC, P.G., Director, Mineral Industry Research Laboratory, University of Alaska Fairbanks, informed the committee he was the principal investigator on the feasibility studies for the rail extension from Eielson to Delta Junction, and for the extension of the ARR to the Canadian rail system and the contiguous states. Dr. Metz said he would emphasize two points; an overview of how the mineral freight forecasts were developed, and that this project is part of a large statewide system and is not "simply a Mat-Su Borough project." An examination of the extension must first determine what the railroad will haul. Railroads carry heavy freight, minerals, concentrates, grains, and heavy machinery, and Alaska has enormous mineral and energy resources with the potential to supply much of the mineral and energy needs of the U.S. and the Pacific Rim. The vision of the rail extension is to tie Fairbanks with the industrial center of North America; however,

to provide that system ARR must connect efficiently with the deep water port at Port MacKenzie.

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DR. METZ presented slide 4 from a presentation titled "Mineral Occurrences and Potential Sources of Freight for the Alaska Railroad Extensions-Port MacKenzie to the Canadian Border," that indicated every American born needs 3.7 million pounds of minerals, metals, and fuels in their lifetime. He observed that the primary benefit of resource development is the resources consumed for survival; the secondary benefit is revenue. Regarding the freight estimates on the rail connection from Point MacKenzie to the ARR mainline and on through to the Canadian border, he stated that the study is based on data that has been compiled by the U.S. Geological Survey (USGS) and the Department of Natural Resources (DNR) Division of Geological & Geophysical Surveys. Furthermore, mineral deposit models used for the freight forecasts are developed by the USGS with data compiled from mineral occurrences worldwide. Mineral deposit types were then examined for their economic feasibility in Alaska under current price levels and the cost of production. The USGS database includes about 7,500 mineral occurrences in Alaska and a similar number in Yukon and British Columbia along the proposed rail route. Dr. Metz opined that some of the aforementioned resources would go to tidewater at Port MacKenzie, to tidewater at Skagway, or to Chicago. The discussion of mineral sources must include quality and quantity; in fact, quality and quantity determine the economics, and the price of production. Except for precious metals, the big cost of production for most metals is transportation. Products produced from mines are "low unit value products" that cannot be hauled on trucks but have to go on rail to ships and then to market as quickly as possible. For example, he displayed slides 7 and 8 that were data curves for the relationships of the quality of resource for molybdenum deposits similar to the molybdenum, copper, and gold deposits found at the proposed Pebble Mine project. Dr. Metz stated that his report examined the relationships between quantity and quality and looked at the probabilities of the mineral occurrences being economic at current price levels and under existing cost conditions. Slide 10 displayed the various cost parameters such as mine capital and operating cost, infrastructure cost, and revenue estimates based on a 10 percent rate of return on capital.

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REPRESENTATIVE STOLTZE asked whether the mineral occurrences are located within reasonable distances from the proposed rail corridor.

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DR. METZ stated that the occurrences are within a 100 mile wide corridor of the proposed route, so some are distant. For example, the Fort Knox deposit is right on the road system and near a source of power. The Pogo Mine is further away from a source of power, but it is a very high grade deposit; thus this combination of quality and quantity of ore determines the economics. He displayed slide 11 that indicated 887 known mineral occurrences found along the proposed 100 mile corridor between Port MacKenzie and the Canadian border. He opined that because the report forecasts are made on the probability of known occurrences, they are conservative.

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REPRESENTATIVE RAMRAS passed the gavel to Senator Menard.

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DR. METZ said the known occurrences in the corridor include almost all of the mineral commodities consumed in the nation. He pointed out the price data displayed on slide 15 is compiled as of January 2007; actually, price levels today average 20 percent higher. He anticipated that prices will continue to rise with the rise of the economies of China and India, "way beyond the price levels that we saw over the last several years."

SENATOR MENARD returned the gavel to Chair Ramras.

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DR. METZ displayed slide 17 and stressed that his report also used very conservative estimates of probability for the development of known mineral occurrences. Slide 18 showed that the expected tonnage at 50 percentile tonnage and grade is 11,000,000 tons per year for 100 years, and the expected tonnage at 90 percentile tonnage and grade is 26,000,000 tons per year for 100 years. He added that the expected gross metal value of each is related to the contribution of resource development to communities and to the state. For example, slide 19 showed that the economic benefit of the Fort Knox Mine, in salaries,

supplies, secondary income effects, and taxes, was estimated to be \$100 million per year to the Fairbanks North Star Borough in 1999. Furthermore, over its 12-year expected life span, the mine is returning to Fairbanks its entire gross metal value. Dr. Metz concluded that his 2007 estimate for the gross metal value of resource developments along the proposed rail route was about \$83 billion.

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CHAIR RAMRAS asked Dr. Metz to offer his presentation to the resource committees of both legislative bodies, and highlighted the statistics that indicate a 100 percent return on the value of minerals.

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REPRESENTATIVE STOLTZE encouraged efforts to get information from the presentation to the governor or his staff.

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STEVE COLT, Associate Professor of Economics, University of Alaska Anchorage (UAA) Institute of Social and Economic Research (ISER), emphasized that one of the main points of today's presentations is that Alaska has an integrated regional economy extending from throughout Southcentral, the Interior, and up to Fairbanks. Dr. Colt pointed out one interesting benefit that has not been presented previously is the estimation of the reduction of the traffic in the Palmer Wasilla corridor. In fact, 22,000 train crossings at Pittman Road and other roads could be avoided by the extension, thereby saving motorists up to 64,000 vehicle-hours of waiting time between now and 2061. He reviewed other transportation benefits of the rail extension to Port MacKenzie. Slide ES-2 from the presentation titled "Benefit-Cost Assessment of the Port MacKenzie Rail Extension," revealed the diversity of the sources of the transportation benefits, showing that the savings come not only from the shipping of the gas pipeline pipe, but from savings on the shipping of other materials. Dr. Colt said another point that has not yet been emphasized is the increase in jobs from the "build-out" of the industrial land at Port MacKenzie which, with the ferry connection, allows Anchorage to share in the benefit of jobs from that development.

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DR. COLT confirmed that the estimates for royalties, taxes, and mining license fees are from Dr. Metz's detailed mine models, including what would go to the state under existing statutory formulas. He opined a great deal of work was done to get the number "accurate and not be leading anybody on."

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CHAIR RAMRAS pointed out that the completion of the project in 2056 would almost coincide with Alaska's centennial.

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DR. COLT expressed his understanding that the analysis is cut off at 2056 because that is the time the three mines examined may cease operations. He then turned to the subject of the location of the jobs resulting from the development of three large mines and a cement and limestone operation. During the initial development there would be billions of dollars going into the economy and Dr. Colt's task was to determine where those dollars would go, particularly in the Anchorage economy. He pointed out that the jobs, not necessarily in Anchorage, but likely held by Anchorage residents, would accrue to almost all sectors of the economy, including direct jobs in mining, and indirect jobs resulting from purchases of goods and services to support the mining operations. Over time, the estimated number of jobs grows to over 2,000 held by Anchorage residents; moreover, many of the indirect jobs are in good paying sectors such as information technology, law, banking, and other high quality jobs that are associated with developing and running a major world-class mineral deposit.

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JOE PERKINS informed the committee he is a former commissioner of the Department of Transportation & Public Facilities (DOT&PF) during the Knowles' Administration and is presently assisting the Mat-Su Borough with the development of the rail extension project. He described his early experience in Alaska and opined that more than any other transportation capital project, the construction of the George Parks Highway (Parks Highway) contributed immensely to the economy of the Railbelt and the state. Since that time, other transportation projects have had an impact on local and regional economies, but not statewide. He then spoke of the need to diversify the economy of the state and noted that little has been done in this regard. Mr. Perkins stated that economic development is dependent on a

transportation infrastructure being in place to support that development. For example, a major cost to the Red Dog Mine is transportation. He said the needed infrastructure in Alaska is not in place to support economic development and to diversify the economy, create jobs, and enhance economic development opportunities, the state must participate in the process by providing infrastructure to support development, particularly resource development. A project that will provide great future economic benefits is the rail extension from the ARR mainline to Port MacKenzie. This extension would solve the economic transportation problem and assist in resource development throughout the Railbelt. Funded by legislative appropriations totaling \$27.5 million, the ARR and the Mat-Su Borough have cooperated on this project for three years. Mr. Perkins listed the accomplishments of the project to this date and noted that if the funding request is granted, a construction contract for the first ten miles of the extension could be bid late this summer, and the design for the rest of the route could be completed. Mr. Perkins summarized that the development of Port MacKenzie would provide a large scale economic benefit to all of Alaska; therefore, the state should make the funding available, because as the opening of the Parks Highway supported the construction of TAPS, the rail extension would support the construction of a gas pipeline.

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REPRESENTATIVE STOLTZE expressed his appreciation to Mr. Perkins for the work he has done for Alaska and the Mat-Su Borough.

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REPRESENTATIVE TUCK asked how former Governor Hickle's plan to build a railroad to Russia would affect the economy of Alaska.

[7:01:07 PM](#)

MR. PERKINS observed a railroad would be good to have; however, crossing the terrain would be very difficult.

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DAVE TALERICO, Mayor, Denali Borough, expressed his strong support for the rail extension to Port MacKenzie. He opined the project is one of the most important major long-term economic benefits to pursue for the Mat-Su Borough, the Denali Borough, all of the communities in the Interior, and the state. The

region's bulk natural resource development has an "incredible future for us" and is important for the economy and the future. He said he was calling from Healy and if the rail extension to Port MacKenzie is completed, Healy would be about 225 miles away from tidewater, about 253 miles away from Anchorage, and about 377 miles away from Seward. Mr. Talerico recalled his visit to Port MacKenzie and spoke of the opportunities to move coal, timber, gravel, limestone, oil, and gas that will open up the Pacific Rim and serve Alaskan coastal communities as well. He expressed his excitement at the potential for long-term, good jobs for residents and was particularly interested in the discussion about cement. He related that in 2008, the U.S. imported more than 11 million metric tons of cement. On a national scale, it is important for Alaska to provide products for North America rather than imports from overseas. In conclusion, he stated that the Denali Borough Assembly passed a resolution in support of the project; in fact, this project ranks in the top three of the infrastructure projects that should be done.

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BOB LACKER, Vice President, Business Development, CH2MHILL, informed the committee that the rail extension is of interest to CH2MHILL because they are modular fabricators for large oil and gas operations on the North Slope. CH2MHILL also builds modules for mining projects around the state, most notably at the Red Dog Mine where it built and installed nearly all of the modules. Mr. Lacker explained that the fabrication shop in Anchorage produces "truckable" modules that are between 20-115 tons and that could be built at Port MacKenzie since the shortage of land and high prices make Anchorage "a tougher place to do business." He noted that as his company searches the state for locations to build modules and service the oil industry, the availability of labor eliminates possible locations such as Seward, Valdez, and Kenai; however, Mat-Su and Anchorage are areas that could provide the necessary labor. He said his company sees Port MacKenzie as the only possible solution to a vigorous module fabrication business for CH2MHILL as it could move modules to the north and ship materials from Fairbanks; in fact, the rail spur is the last piece missing from the infrastructure at Port MacKenzie. Mr. Lacker called the project a tipping point for companies that have current opportunities arising in the next 36 months.

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CHAIR RAMRAS encouraged members of the committee and other legislators to continue reach out to other committees so these presentations can get a second and third hearing. He also encouraged the presenters to contact other committee chairs.

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SENATOR MENARD gave credit to Jody Simpson who was in attendance representing Senator Charlie Huggins.

[7:12:00 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 7:12 p.m.