

EI- 18153

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PORT MAC RAIL EXTENSION PROJECT
Comments After The EIS

Is Port MacKenzie a feasible enterprise?

The Point MacKenzie Port Master Plan (January 1998 amended 1999) states that *"the construction of port facilities appears to be economically feasible if a major user commits to using Point MacKenzie on a long term basis or a combination of users commits to using Point MacKenzie on a long term basis. Should a major development generate long term rail traffic that would cover the cost of access, the Alaska Railroad or State may fund construction of rail access to the port area"*.

The Mat-Su Borough Assembly on December 11, 2007 passed a resolution that would begin the EIS studies and could possibly lead to a license to build a Railroad Spur to Port MacKenzie. (See Serial No. 07-139). At that time there was a \$2.9 billion plan to use Alaska Railroad (ARRC) bonding authority backed by The State of Alaska for the railroad spur to Port Mackenzie, other railroad improvements and the construction of a coal to gas- gasification plant to be operated by Agrium a fertilizer/chemical producing company. **The construction of the coal gasification plant was cancelled by Agrium shortly thereafter. Additionally the funding scheme was not met with enthusiasm if assets of ARRC and the State of Alaska were to back the bonds.**

Another Point MacKenzie project started by NPI,LLC, was shipping **wood chips to Korea, It has been discontinued and is the subject of ongoing litigation.**

The Port MacKenzie Master Plan tells of another potential major Port MacKenzie user. MIDREX, a subsidiary of Kobe Steel, considered locating a direct iron ore reduction facility at Port Mackenzie. **The Master plan narrative says "MIDREX decided not to pursue building a facility in Alaska at this time"**

The promoters of Port MacKenzie and the Railroad Spur tell of **potential facilitation of the development of a World Class lime stone deposit just North of Fairbanks in Livengood. Livengood is about 78 miles north of Fairbanks.** It has been said by

promoters that Port Mackenzie has the potential to meet from 5% to 15% of the needs for concrete for the whole United States. The percentage varies depending upon which promoter is speaking. There has been no specific developer mentioned nor has there been even the most general statement of a business plan or is there specific information as to the type of cement being discussed. Is it Natural cement or Portland cement? Why is that relevant? The latter requires mixture with clay, firing in a kiln and then pulverization to create cement. This would require a cement plant and is relatively expensive. Where will this process occur if they are discussing Portland cement? Natural cement is less expensive to produce. **Is this a reality or another 'Alaskan Pie in the Sky'?**

The point of the foregoing discussion is not a dissertation on fertilizer, cement or steel. These facts are relevant to STB deliberations in that they point out there are major issues regarding the feasibility of both the Port MacKenzie and the railroad spur being considered.

The Port MacKenzie Plan further states that--- **the Borough should not take on bonding the port facility without projected revenue to justify the expenditure.** The fact is that bonding has occurred and loans have been received to fund the Port construction. Revenues have not met projections and have fallen far short of expenditures. **A review of Matanuska Susitna Borough Budget information shows that Actual dockage and warfage revenues for the 4 years 2005 through 2008, was a paltry total of \$271,706 or an average of \$68,000 per year. During the same 4 year period, Actual Expenditures were \$9,762,340 or average of \$2,440,505 per year.** Actual revenue data for 2009/10 is not available to the public, at this time, but revenue is expected to increase, as compared to years 2005 through 2008, due to off loading of cement and steel plus a sale of gravel and transfer to Anchorage for the expansion of the Port of Anchorage.

There is no evidence that there are major viable long term Port use commitments and the meager revenues do not justify the expenditure of many millions of dollars. More important is the question of whether additional hundreds of millions of dollars should be thrown at what appears to be a shaky, ill conceived enterprise.

To compound the problem serious adverse impacts posed by both the Port and the Railroad are surfacing. The very expensive EIS project has revealed many, but not all, such impacts. These include impacts on wetlands, streams, habitat, fisheries, salmon returns, endangered species (Beluga whales) recreational areas, property values and human quality of life. Also under study is the possible adverse impact that Port MacKenzie may have created for the essential Port of Anchorage with the formation of the new MacKenzie shoal and worsening of the existing Knik shoal.

We recognize the need for improved infra-structure to allow for the prudent use of Alaska's vast natural resources. Such development is important and necessary for Alaska and the nation. Equally important is the necessity for Alaskans and visitors to safely gain access to lands for recreation and development. Less than 2% of the

572,000 square miles of land in Alaska is in private ownership. Prudence and logic thus dictate that construction of projects should avoid adverse impact on the paucity of privately held land.

A FACT BOOK produced by the MSB Planning Department in 2003 describes the "formation of a *Regional Transportation Planning Organization (RTPO)*" consisting of MSB, Anchorage Municipality, Legislative Committees, U.S. Military, and the ARRC. **It is unfortunate that the concept of coordination, of various government bodies and agencies, as described with reference to the RTPO have not occurred.** The RTPO is defunct and coordination of transportation activities has not become a working reality.

Oil wealth has provided many benefits to the government and people of Alaska. Regrettably the oil wealth period of Alaska history is also rife with expensive ill-conceived failed projects. Many major projects have been undertaken where enormous sums of money have been spent to generate short term activity yet the projects have ultimately failed. Notable among many such projects is the \$500 million hydroelectric dam study, barley farming and MacKenzie dairy farming. Also a \$125 million fish processing plant (\$ 50 mil state money plus \$75 mil from other sources). The former plant is now a church. There is evidence that history may be repeating itself.

We are concerned and hope that the infra structure projects become more coordinated, cost effective and successful in the long term. The "Build It and They Will Come" attitude is not an appropriate use of public funds. The idea that it is proper to generate short term economic activity, profitable for some industries or businesses, even if the larger main plan is a failure is not reasonable. We do not endorse spending government money on projects before the planning is properly completed with corporate and/or private users committing to the enterprise.

Reasonable people understand that there has been poor planning, financial waste and are deeply concerned regarding the impacts on the physical environment and quality of human life. No mitigating efforts or processes can compensate, after the fact, if such projects are allowed to continue unabated.

We believe the No Build Decision is the most prudent course of action at this time. Additional and clarifying scrutiny of environmental and human quality of life issues must be addressed. Feasibility issues must be resolved and clear effective coordination of all parties must be assured.

Sincerely,



H. Douglas and Sharon Smole

cc Governor Sean Parnell