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Subject Port Mac Statement of Purpose and Need

Dave,

Attached please find a revised statement of purpose and need.

Please let me know if you have any questions.

Sincerely,

Kathryn

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Thank you.



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The Applicant has stated that the purpose of the Port MacKenzie Rail Extension is to provide rail service to Port MacKenzie and connect the Port with the remainder of the ARRC rail system, providing Port MacKenzie customers with rail transportation between Port MacKenzie and Interior Alaska. Port MacKenzie is a natural, existing deepwater facility on the north side of Knik Arm in upper Cook Inlet, in Southcentral Alaska. It is the closest deep water port to Interior Alaska and has capacity to handle bulk commodities. The Port's market includes bulk commodities (e.g., wood chips, saw logs, sand/gravel, and cement), iron or steel materials (e.g., scrap metal), vehicles and heavy equipment, mobile or modular buildings.

Nationally, a railroad can move one ton of freight 457 miles on a gallon of diesel fuel, compared to 133 miles for a truck¹. The Federal Railroad Administration compared overall fuel efficiency of rail and truck transport on 23 competitive corridors throughout the nation and concluded that, in all cases, moving freight by railroad was more fuel efficient than by truck². The report concluded that, "rail fuel efficiency varies from 156 to 512 ton-miles per gallon, truck fuel efficiency ranges from 68 to 133 ton-miles per gallon." Both efficiency in handling and efficiency in fuel use translate into substantial cost savings for freight shipped via rail transport rather than transport by truck over the highway. The nearest other port in the area is the Port of Anchorage, which is an additional 35 highway/rail miles away from the Alaska interior. The Port of Anchorage currently has no capacity for dry bulk materials export. Required room for bulk rail unloading (unit train rail loop arrangements) does not exist, nor does the Port of Anchorage presently have the capacity to handle the loading of dry bulk materials into ships. Available space for stockpile and handling of bulk materials is also limited.

Port MacKenzie, in contrast, is situated on nearly 9000 acres of land, and has existing dock-side bulk materials loading capacity with a conveyor system to move materials from existing stockpile staging areas to the docks. The dredge-free draft of the port is in excess of 60 feet, providing the ability to load nearly any sized vessel. Unlike similar port facilities that serve Panamax and Cape class vessels, Port MacKenzie does not have rail service. At present, freight truck is the only available mode of surface transportation for bulk materials and other freight to and from Port MacKenzie. Trucks, as compared to rail, are inefficient for bulk commodity movements and generally are used for short-haul movements in that context. Bulk commodity shippers which already have access to the existing ARRC network utilize a combination of rail and transload to truck 30 miles away for final delivery to Port MacKenzie. However, such intermediate movements and handling requirements are not efficient and impose increased costs to the shipper and consumer due to multiple handling of materials between transportation modes. In fact, the cost for intermediate transloading from rail to truck, and the additional truck ton-mile cost for final delivery puts Port MacKenzie at a significant disadvantage to other regional ports with rail service.

Due to the economics and efficiencies offered by direct rail service, bulk commodity movements would likely be rail if such an option were available. The proposed rail line would thus provide Port MacKenzie's customers with multi-modal options for the movement of freight to and from the Port similar to that offered by other ports handling large vessels. The proposed project would also support ARRC's statutory goal to foster and promote long-term economic growth and development in the State of Alaska.

¹ <http://www.aar.org/Environment/Environment.aspx>

² Federal Railroad Administration, Comparative Evaluation of Rail and Truck Fuel Efficiency on Competitive Corridors, Final Report November 19, 2009