



*Municipality of Skagway*  
**Port Governance  
Review**

Final Report | July 2017



moffatt & nichol





## DOCUMENT VERIFICATION

Client	Port of Skagway
Project name	Port of Skagway Port Governance Analysis
Document title	Report
Document sub-title	–
Status	Report
Date	07/13/2017
Project number	Code
File reference	File Name

Revision	Description	Issued by	Date	Checked
00	Draft Report	AL	06/26/2017	
01	Final Report	AL	07/26/17	



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## GLOSSARY

ADOT	Alaska Department of Transportation
CDN\$	Canadian dollars
CLAA	Cruise Lines Agencies of Alaska
CPA	Canadian Port Authorities
CPI	Consumer Price Index
CTA	Cruise Terminals of America
DSCR	Debt-Service Coverage Ratio
ft	Feet
GDP	Gross Domestic Product
KDC	Ketchikan Dock Company
m	Meter
m <sup>2</sup>	Square Meters
MN	M&N
NWSA	Northwest Seaport Alliance
P&L	Profit and Loss Account
PILT	Payments in Lieu of Taxes
PMV	Port Metro Vancouver
POLA	Port of Los Angeles
POLB	Port of Long Beach
PPR	Port of Prince Rupert
PRPA	Prince Rupert Port Authority
RoRo	Roll-On/Roll-Off
TEU	Twenty-Foot Equivalent Unit
TMDL	Total Maximum Daily Load
YTD	Year to Date

## 1. EXECUTIVE SUMMARY

### 1.1. PROJECT INTRODUCTION – HISTORICAL CONTEXT

Seaport governance in the United States (U.S.) is very unique as compared to how seaport systems in other parts of the world are governed. Due to the vast size of the industry in the U.S., with over 183 commercial deep-draft ports along multiple coasts, including the Great Lake coasts, there must be more flexibility in the system as compared to other countries where ports generally operate under direct control of a national port authority. Here in the U.S., there is no national port authority. Authority is diffused through all three levels of government: federal, state and local.

The port authority movement in the U.S. was developed in the 20<sup>th</sup> century primarily as a public response to the problems arising from railroad control over commercial port areas. Early port authorities such as the Washington State Port District, established in 1911, were established to assist states in gaining more control over the commercial activities on their waterfront and to provide opportunities for public access to these areas.

Port authority governing bodies in the U.S. vary widely in structure. There are a total of 126 U.S. public seaport agencies with 77 that are appointed, 24 that are elected, 4 that are indirectly elected, and 21 with no governing bodies.<sup>1</sup> It also should be noted that there are many commercial ports that are not part of a public port authority, rather most of these are industrial facilities that are privately owned and operated, primarily as part of a larger industrial complex.

### 1.2. LANDLORD PORTS VERSUS OPERATING PORTS

Ports are generally operated in two ways within the U.S., either as landlord ports or as operating ports. Historically, some landlord ports have used their lower cost of financing to buy major container handling equipment such as ship to shore cranes which they have then leased to terminal operators; however increasingly this responsibility is being transferred entirely to the private sector. The ports of Miami and Tampa are two of the ports that are still purchasing and owning cranes. The trend in the future may be to mirror New York/New Jersey and Baltimore where the advantage of municipal financing is passed onto the private operators through the municipal agency acting as a conduit (though in both these cases it was the State Economic Development Agency that acted as the conduit, not the Port Authority).

Operating ports are defined as ones where the port itself operates the terminals and port facilities with their own forces, they employ the labor and are responsible for the day-to-day performance of the port. Georgia Port Authority and South Carolina State Port Authority are examples of operating ports.

A change in port governance may require approval from the Federal Maritime Commission and can impact the loans or bonds issued to raise capital, the tax status of the port authority or of the bonds it has issued, leases to the terminal operators, and their need to repay government grants and/or loans.

Both operating and landlord ports issue tax-exempt municipal bonds to finance capital investments. Often, the landlord ports also issue bonds at lower municipal bond interest rate in order to provide loans to terminal operators who need to purchase equipment. For tax-exempt bonds, all applicable federal tax law requirements must be met to ensure that interest earned by bondholders is exempt from taxation under Section 103 of the Internal Revenue Code. In order to comply with these and any other applicable requirements, issuers borrowing the bond proceeds must ensure that the rules are met both at the time that the bonds are issued and throughout the term of the bonds.

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<sup>1</sup> "AAPA Canadian and US Port Governance Report" Rexford B. Sherman



## 2. PORT FINANCING AND GOVERNANCE MODELS IN U.S. AND CANADIAN PORTS

The following sub-sections review the capacity of various port agencies to support required investments in port facilities from income generated by port operations, as well as the sources and extent of additional funding that is used to support these port investments. This information is intended to provide an overview of the ways that ports are able to fund operations and capital projects, and is based on how these ports are structured and where their revenues come from. The ports that the M&N team reviewed are divided by location with a short introduction into the structure of the ports we have analyzed. The focus for this report is on ports on the west coast of North America, both in Canada and the U.S.

The analysis is based on financial and other information publicly available from the various port authorities that have been reviewed. Information was gathered from port authority documents such as grant applications, port commission meeting minutes, annual financial reports from the individual port authorities, strategic plans, annual reports and other documents publicly available. The level of detail varies in these reports, which is reflected in the summaries provided in the following sub-sections.

### 2.1. WASHINGTON STATE PORTS

According to the Washington Public Ports Association website, port districts in the state of Washington are unique in that they are governed by an elected commission, independent of other local jurisdictions. Commissioners are elected to either four or six year terms and may hold either a district-specific or at-large position, depending on port district policy. Commissioners are responsible for establishing long-term strategies and creating policies to guide the economic development, growth and the operation of the port. They are also responsible for approving the budget and for authorizing changes to the tax levy rate.

Under the Port District Act, the ports of Seattle and Tacoma are authorized to assess a tax levy to finance their port district. These revenues provide the necessary funds to operate the facilities and support improvements. In the case of the Port of Seattle, King County assesses 100% of what they are authorized to take (the maximum millage rate is \$.45 per \$1,000 of assessed property value). In Pierce County where the Port of Tacoma is located, the Port Authority has General Obligation indebtedness that is about one-third of the limit that is allowed without a vote of the electorate.

#### 2.1.1. NORTHWEST SEAPORT ALLIANCE

In order to be more competitive against other west coast ports, the Ports of Seattle and Tacoma jointly formed the Northwest Seaport Alliance (NWSA) in August of 2015. The Alliance is the marine cargo operating partnership for the two ports and consists of a six person management leadership team with a Chief Executive Officer at the head who carries out policies set by port commissions (governance of the NWSA is further discussed in Section 3.1). In order to compete with the Canadian container ports of Vancouver and Prince Rupert, the NWSA has designated two strategic terminals to become their premier facilities to handle the larger ships entering the transpacific trade. These two terminals are T-5 in Seattle (North Harbor) and T-4 on the General Central Peninsula in Tacoma (South Harbor). The Alliance established funding for projects to enhance these two strategic projects as part of their NWSA Capital Improvement Plan (CIP) in their 2016 budget, allocating funds over a five year period to help pay for these projects. Planned capital expenditures for container terminal infrastructure projects as well as some non-container improvements and port-wide infrastructure total approximately \$130.9 million over the next five years, with 75% of that allocated to container terminals. These funds come from the Alliance's cash reserves for CIP requirements. The



Source: Port of Seattle website

**FIGURE 2-1. PORT OF SEATTLE T-18 WITH CMA CGM BENJAMIN FRANKLIN**

project costs for these terminal modernization projects exceed the allocated funds from the Alliance budget, therefore other sources of funding have been identified. The most notable of these is the recent FASTLANE application by NWSA for \$74.8 million to help pay for the total project cost of \$290 million for the entire T-5 modernization and access improvement project. If this application is not successful, NWSA still would prefer to do all the investment themselves, rather than relying on private sector terminal operators for the investment.

**2.2. CALIFORNIA STATE PORTS**

In California, ports are set up as special districts which qualify as local governing units or “special purpose” political subdivisions. They are governed by a board of port commissioners that is nominated by the mayor of the city where they are located and confirmed by the city council. The board of port commissioners then appoints an Executive Director. The board is responsible for the financial and operational management activities at the port and has exclusive control and management of the port department.

**2.2.1. PORT OF LONG BEACH (POLB)**

The POLB is a landlord port operated by the Harbor Department of the City of Long Beach. In 2016 POLB ranked second (after Port of Los Angeles or POLA) in container volume in the U.S. with a total of 6.7 million TEU.

POLB terminals occupy approximately 3,000 acres, handling a variety of cargo types (see section 1.4.3 for more details on the port’s business). For FY2016 POLB reported operating revenue of \$360.7 million, with approximately 76% resulting from container terminals and the remaining from liquid bulk, dry bulk, breakbulk, and RoRo. After accounting for operating expenses of \$144 million, depreciation and amortization of \$147 million and various other non-operating revenues and expenses, the POLB had net income of \$173.1 million.

These results indicate that POLB has significant financial strength. However, the projects that the port is currently funding with their ambitious capital program with net capital spending of \$4.5 billion, may preclude them from being to do any other major terminal upgrades. The current capital program includes major projects such as the Middle Harbor Terminal project and the replacement of the Gerald Desmond Bridge. Both of these large projects are well underway with the first phase of the Middle Harbor Terminal completed in 2015 and completion of the entire project in 2019. The Port’s debt continues to be highly rated by the three major rating agencies.

**2.2.2. PORT OF LOS ANGELES (POLA)**

The POLA is a fiscally independent department and an enterprise fund of the City of Los Angeles and is substantially autonomous from the City, operating as a landlord. The Port handles the largest volume of containerized cargo among all U.S. ports, with a FY2016 total of 8.8 million TEU. The Port encompasses approximately 4,300 acres and 27 terminals. POLA reported total operating revenues of \$441.2 million in FY2016, with approximately \$415.0 million or 94.1% of total operating revenues derived from fees for shipping services and leasing of facilities to customers. Operating expenses totaled



Source: Bloomberg News

**FIGURE 2-2. POLB MIDDLE HARBOR**



Source: Port of Los Angeles website

**FIGURE 2-3. POLA PIERS 300 AND 400**

\$226.3 million before depreciation. After accounting for depreciation and amortization of \$163.9 million and various other non-operating revenues and expenses, as well as capital contributions of \$40.4 million, POLB realized an increase in net assets of \$99 million.

These results demonstrate the financial strength of the POLA maintained through self-generated revenues, without taxing authority. The Port has maintained Debt Service Coverage Ratio (DSCR) in excess of bond covenant requirements, and continues to maintain good credit ratings with a stable outlook.

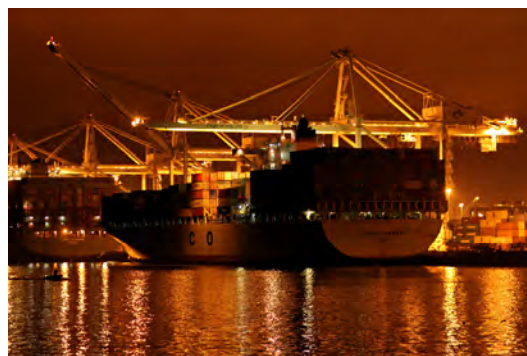
### 2.2.3. PORT OF OAKLAND

The Port of Oakland is a Component Unit and independent department of the City of Oakland, with exclusive control and management of the Port area, which includes the harbor, airport and other commercial real estate. The Maritime Division of the Port manages the Oakland Seaport with 2.36 million TEU in 2016. The Seaport encompasses approximately 770 acres of terminal facilities with 18 deep-water berths.

Maritime operating revenues totaled \$148.8 million in FY2016, or 44% of the Port's total operating revenues in FY2016.

Maritime's operating revenues decreased approximately \$9.9 million or 6.2% from FY2015, primarily due to the termination of a long term lease agreement with Outer Harbor Terminal during FY2016. Maritime operating expenses were \$55.7

million. In FY2016, the Port's total debt decreased approximately \$42.6 million or 3.5% from FY2015. The decrease resulted from principal payments of \$50.8 million on outstanding bonds, commercial paper, and other loans. The Port of Oakland does not report non-operating revenue or capital contributions at the operating division level.



Source: Port of Oakland website

**FIGURE 2-4. PORT OF OAKLAND NIGHTTIME OPERATIONS**

### 2.3. PORTS IN WESTERN CANADA

The Canadian port governance structure differs from that in the U.S. primarily due to the strong historical role of the Canadian federal government in port development. According to the Transport Canada website, "in 1998, the *Canada Maritime Act* set out the spirit and objectives of the National Marine Policy for federal ports. These ports, comprising the National Ports System, would operate under a new business and governance model as Canada Port Authorities (CPAs)."

The CPAs are agents of the Crown and provide management of port activities related to shipping, navigation, transportation of passengers and goods as well as storage of goods. The CPAs are required to be financially self-sufficient by financing their operations from revenues and setting their own fees for services, such as wharfage and berthage.

The Transport Canada website<sup>2</sup> also states: "CPAs remit annually to the federal government a gross revenue charge which has resulted in total payments of over CDN\$119 million since they were established. CPAs also make annual payments to their respective local municipalities."

<sup>2</sup> <https://www.canada.ca/en/transport-canada.html>

**2.3.1. PORT METRO VANCOUVER (PMV)**

Vancouver Fraser Port Authority, conducting business as Port Metro Vancouver (PMV), is a non-shareholder, financially self-sufficient corporation, established by the Government of Canada pursuant to the Canada Marine Act, and is accountable to the Federal Minister of Transport, Infrastructure and Communities. PMV is the busiest container port in Canada, handling 2.9 million TEU in 2016.

Prior to January of 2008, there were three competing ports in southwestern British Columbia. In 2006, the Canadian government asked them to examine the concept of creating a combined organization to create operational and cost efficiencies. The process began in early 2007 with personnel from each of the three ports creating an Amalgamation Transition Committee which included board members and the CEO from each port. A steering committee was then formed to provide resources and provide guidance for the design of the new organization. To address some of the conflicting needs of stakeholders, tenants, customers, elected officials and the general public, an open and timely communication process was created which allowed feedback and minimized user disruptions. Joining with local governments, the ports developed a municipal program to engage elected officials within the 16 communities involved in port operations. Effective January 1, 2008, the Canadian government announced the amalgamation of the three port authorities and issued a certificate of amalgamation creating Port Metro Vancouver (PMV).

In 2016, PMV reported operating revenues of \$235 million (all currency in Canadian dollars). Operating expenses reported by PMV in 2016 totaled \$121.3 million, and depreciation was \$32.5 million, resulting in operating income of \$101.2 million. PMV had interest expense of \$5.2 million, and included in “other non-operating expenses” was a \$6.7 million stipend payment to the Federal Canadian Government. PMV’s financial performance in 2016 resulted in \$99.9 million total comprehensive income for the year.

PMV’s 2012 – 2016 Capital Plan anticipates \$1.2 billion in total spending to increase port capacity, increase land available for expansion, and providing capital maintenance and replacement of existing assets, among other objectives. PMV anticipates that new credit facilities will be needed to fund future capital requirements. Although PMV is an agent of the Crown it may not borrow as an agent of the Crown. With its strong cash flow, PMV expects to be able to fund 60% of total capital spending with operating surpluses, and the remaining 40% with debt.

**2.3.2. PRINCE RUPERT PORT AUTHORITY (PRPA)**

The Port of Prince Rupert Authority (PRPA) operates under the same governance structure, as described for PMV. In 2016, PRPA handled approximately 736,663 TEU. Prince Rupert has become one of the leading ports for intermodal, containerized cargo on the West Coast and has grown significantly since they opened up the Fairview Terminal in 2007.

The original project to convert the multipurpose terminal into a container terminal in 2007 was a CDN\$170 million project, achieving a design capacity of 500,000 TEU and was funded by five partners:

- Maher Terminals, \$60 million, including the three super-post Panamax cranes



Source: Vancouver Sun website

**FIGURE 2-5. PMV CENTERM TERMINAL**



Source: Port of Prince Rupert website

**FIGURE 2-6. PPR FAIRVIEW TERMINAL**

- Government of Canada: Western Economic Diversification Canada, \$30 million
- Province of British Columbia, \$30 million
- CN Rail, \$25 million towards the terminal's rail-related infrastructure
- Prince Rupert Port Authority, \$25 million.

Operational efficiency improvements have brought the capacity to approximately 750,000 TEU and in 2015 an extensive terminal expansion project was started, which will take the terminal capacity up to approximately 1.35 million TEU by the third quarter of 2017. This expansion project includes a second deep-water berth, three additional gantry cranes and land reclamation to further expand the container yard. The project was approximately 75% complete as of December of 2016 and cost approximately CDN\$200 million. The investment was made exclusively by the terminal owner, DP World.

Prince Rupert reported total cash flow from operating activities of \$49.2 million with net cash from operating activities of \$32.5 million, after expenses.

### 3. PORT ENVIRONMENTAL REGULATORY COMPLIANCE

Environmental compliance programs vary widely from one port to another. Some ports have very defined, formal, comprehensive programs (such as the Port of Long Beach) while others may have more informal programs and policies in place. These programs may not be required by state or federal law (although they are sometimes required as a condition of enforcement actions) but they can be very helpful in proactively working to identify and remedy environmental issues before they become enforcement actions. Most Alaska ports rely on state and federal agencies to conduct these programs, however, enforcement is often done infrequently due to travel and staffing constraints of these agencies.

In order to examine options for Skagway could take to address environmental compliance and stewardship, we investigated programs in various locations in Alaska such as Anchorage, Juneau, Ketchikan, and Seward. We also investigated programs in place in Kitimat, British Columbia as well as the three programs described below. Generally, it appears that the Alaskan ports rely on state and federal agencies for environmental compliance and stewardship and/or have informal programs in place in these ports. We were unable to locate any formal programs in Alaska carried out by the local port authorities themselves. For reasons noted above, Skagway may want to consider proactively initiating an environmental compliance/stewardship program for the Port in order to avoid future compliance issues and ensure the quality of the environment in Skagway. Grant funds may be available to assist in establishing a program in Skagway.

Some examples of programs in place at other ports (available on their websites) are outlined below:

- **Port of Long Beach (POLB), Long Beach California:** The POLB has an intensive compliance monitoring program. This comprehensive program contains a Water Resources Action Plan (with a master storm water program, a vessel discharge program, a sediment management program, and Total Maximum Daily Load (TMDL) program with extensive sampling), as well as a Clean Air Action Plan with components such as reductions in particulate matter, NOx, and Sox from a wide variety of transportation-related sources (POLB 2017).
- **Port of Tacoma, Washington:** Tacoma has a well-rounded environmental compliance and stewardship program with a full-time manager as well as a port biologist. As part of this effort, they have a proactive program to assist Port tenants with environmental compliance and in conducting air and water quality monitoring. In addition, the Port has a storm water management program and active restoration program (Port of Tacoma, 2017).
- **Prince Rupert Port Authority (PRPA), Prince Rupert, British Columbia, Canada:** The PRPA is more similar to Skagway than the POLB in terms of size and location in the Pacific Northwest and has similar industry needs, particularly in terms of the cruise industry requirements. One notable difference is that the PRPA is one of the Federal Canadian ports (reference Section 2.3 regarding the Canada Port Authorities or CPAs) and thus may have a more rigorous regulatory mandate. The PRPA has a strong environmental stewardship program which includes extensive water quality monitoring in the Port for parameters such as metals, nutrients, algae, bacteria, PAHs as well as physical/chemical parameters such as dissolved oxygen and pH. Grab samples are taken quarterly from 32 sites and monthly physical/chemical samples are taken as well. Air quality is monitored for particulates. In addition, noise measurements and monitoring are periodically conducted at the port facility.

## 4. OVERVIEW OF U.S. WEST COAST PORT GOVERNANCE MODELS

### 4.1. NORTHWEST SEAPORT ALLIANCE - SEATTLE AND TACOMA, WA



Source: NWSA website, M&N

**FIGURE 4-1. NORTHWEST SEAPORT ALLIANCE, WA PORT STRUCTURE**

#### Formation of the Northwest Seaport Alliance

The ports of Seattle and Tacoma (home ports) joined forces in August, 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region by creating The Northwest Seaport Alliance (NWSA). The NWSA is a special purpose governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. The PDA is governed by the two ports as equal members (each a Managing Member and collectively, Managing Members) with each port acting through its elected commissioners. As approved, the charter for the NWSA (Charter) may be amended only by mutual agreement of the Managing Members. Each port will remain a separate legal entity, independently governed by its own elected commissioners.

- NWSA was formed in August 2015 in order to become more competitive among west coast ports, consists of 6-person leadership team with Chief Executive Officer at the head
  - Contains a chief executive officer, carrying out policies set by port commissions
    - Same individual is currently the CEO of both NWSA and Tacoma
  - Initial employees of Alliance were existing employees pulled from Seattle and Tacoma, 2017 budget has 59 personnel on staff.
- Marine cargo operating partnership (joint venture) operating as a port development authority (PDA) with two ports (Seattle and Tacoma) as equal members
  - “The PDA’s purpose is to promote and assist economic development of the Managing Members’ Marine Cargo operations with an emphasis on unified business retention and recruitment, coordinated enhancement of the value of Marine Cargo properties, improved intermodal rail service, improved freight capabilities, and the general promotion of maritime economic development and other related Port business activity”, as per statement from NWSA Charter.
- Structure is as follows:

- “While the ports will remain separate organizations that retain ownership of their respective assets, they will form a port development authority (PDA) to manage the container, breakbulk, auto and some bulk terminals in Seattle and Tacoma. The airport, cruise business, marinas, such as Fisherman’s Terminal, grain terminals and industrial real estate facilities, such as Northwest Innovation Works, Puget Sound energy and Terminal 91 uplands, will remain outside the Alliance. The PDA will be governed jointly by the two port commissions”, as per statement from NWSA, 2015.
- NWSA operates some terminals (Seattle and Tacoma can “license the operation, management, and use of Licensed Properties” to the NWSA), however, the PDA does “not have the authority to issue debt or to own real property.”
  - NWSA is essentially in charge of all operations as dictated between agreements with Seattle and Tacoma. NWSA receives revenues from operations and redistributes a portion back to the ports, as stipulated in agreements
- Net income from NWSA is distributed evenly between the two ports
- Each port has its own elected commissioners (5 per port) and maintains ownership of their respective assets
  - Individual port commissioners are elected by popular vote in local county and service four-year terms
- Container Volume, 2016:
  - International - 2,858,815 TEU
  - Domestic - 756,938 TEU
- Cargo Volumes, 2016:
  - Breakbulk - 181,372 metric tons
  - Autos - 246,421 units
  - Logs - 176,928 metric tons
  - Petroleum - 612,224 metric tons
  - Molasses - 43,666 metric tons

**Port of Seattle Cruise Business**

- Cruise Terminals of America (CTA) operate the Bell Street Terminal at Pier 66 facility as well as the Smith Cove Cruise Terminal at Pier 91
- CTA started as a small start-up company in 1999, managing 37 home-port ship calls in their first season. That volume has grown considerably over the years and in 2015, CTA managed 192 ship calls in Seattle
- CTA is a joint venture between General Steamship Agencies, SSA Marine and Columbia Hospitality, Inc., each bringing specialized terminal operations experience to the partnership
  - General Steamship Agencies is affiliated with Cruise Lines Agencies of Alaska (CLAA) and has been in the cruise business for over 50 years. As port agents, they handle all aspects of port services for the cruise lines, their vessel, the passengers and crew
  - SSA Marine is a 100 year old stevedoring and marine terminal operations company, serving U.S. West Coast, Gulf Region and Atlantic Coast ports, as well as international locations. SSA and their affiliates have handled cruise ships on the U.S. West Coast for 20 years
  - Columbia Hospitality (CHI) handles all areas of hospitality for their cruise company clients, including sales, marketing, food services, catering, and customer service training, and accounting services.

**Port of Seattle Governance**

- A five person commission as previously mentioned with each commissioner serving a four year term. Commissioners are responsible for setting policy
- Port has the ability to issue port tax from local community and collects property tax (tax levy)
  - The port also assesses and collects wharfage fees, dockage fees, etc.



- Port can generate funds via “grants, partnerships, passenger and customer fees, local taxes if appropriate, and cash from operations”
  - Port also uses long-term debt for funding purposes (e.g. bonds, general obligation (G.O.), etc.)
- Cruise operations at pier 66 and 91 are managed by Seattle and not NWSA
  - Anticipated passenger volume for 2017 - 1,040,412 passengers and 218 vessel calls.

**Port of Tacoma Governance**

- A five person commission (and staff) operating as an independent municipal corporation. Each commissioner serves a four year term and is responsible for setting policy. The Port is classified as a special purpose district<sup>3</sup>
- Operations are similar to port of Seattle with the port maintaining governing authority over port area
- The port can lease/sell property
- The port has the ability to assess and collect wharfage fees, dockage fees, etc.

**4.2. PORT OF PORTLAND, OR**

The Port of Portland is a regional government agency with its official boundaries in three Oregon counties (Clackamas, Multnomah and Washington). The port operations include the airport, seaport and oversight of six industrial parks. The seaport consists of four marine terminals handling various types of cargoes (bulk, breakbulk, project cargo, and autos). The port recently negotiated the end of their lease agreement with terminal operator ICTSI for Terminal 6 (T-6), the port’s container terminal. At this point, the port is working on a financially viable business plan at T-6 that will meet the port’s goal to help regional shippers to transport their goods to market.



Source: Port of Portland

**FIGURE 4-2. PORT OF PORTLAND**

**Port of Portland Governance**

- A nine person commission, appointed by the Governor of Oregon and ratified by the Oregon Senate, who are responsible for setting port policy and for appointing the Port’s executive director
- Two of the nine commissioners must reside in one of the three counties in the Port district, the remaining members may reside in any part of the state
- Commissioners serve four year terms and can be reappointed
- The executive director hires chief executives who, along with a staff of 750, oversee day-to-day management of the organization
- The port creates 96% of its revenues from business transactions such as fees

**Cargo Volumes**

Container Volume, 2016: 1,725 TEU – all export (down from a high of 104,661 TEU in 2011 due to the closure of T-6; all of the container volume in 2016 moved prior to June, the lease agreement with ICTSI for T-6 was terminated as of March 31, 2017)

General Cargo Volumes, 2016:

- Breakbulk – 22,778 short tons
- Autos – 291,242 units
- Grain – 4,650,042 short tons

<sup>3</sup> More details of port power: <http://app.leg.wa.gov/RCW/default.aspx?cite=53.08&full=true#53.08.010>

- Mineral Bulk (Potash) – 5,031,588 short tons

### 4.3. PORT OF LONG BEACH, CA

As is the case with most other California ports, the Port of Long Beach is a public agency managed and operated by the City of Long Beach within the City Harbor Department. The port is governed by the Long Beach Board of Harbor Commissioners who set policy, appoint the Executive Director and oversee the 400 Harbor Department employees. There are five commissioners who can serve a maximum of two, six-year terms. Port lands are owned by the City of Long Beach in trust for the State of California, based on a statute enacted in 1911 which granted the tidelands areas to the City of Long Beach for port operations. As part of the statute, the use of income and revenue generated from port related businesses must be used for purposes related to harbor commerce, navigation, recreation and fisheries.<sup>4</sup>

#### Facilities Overview

The Port of Long Beach is second largest container port in the U.S. with over 6.8 million TEU moving through the port in 2016. The port covers over 3,000 acres of land and has 10 piers with 80 berths and 22 shipping terminals. The terminals handle a variety of cargo types with the following breakdown:

- Five breakbulk terminals (automobiles, lumber, steel, iron ore)
- Six bulk terminals (petroleum coke, salt, gypsum, cement)
- Six container terminals
- Five liquid bulk terminals (petroleum products)

#### Cargo Volumes

Container Volume, 2016:

- 6,775,171 TEU

General Cargo Volumes, 2016:

- Breakbulk – 1,148,807 metric tons\*
- Dry Bulk – 6,356,708 metric tons
- Liquid Bulk – 29,292,403 metric tons

\*Includes Autos

The Port Authority has the power to collect tariffs and fees from all port activities, including pilotage, dockage, wharfage and other applicable fees. As a landlord port, terminal facilities are leased to operators and those revenues underpin a large portion of the overall port revenues with containers driving 75% of all operating revenue.

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<sup>4</sup> Port of Long Beach website

## 5. OVERVIEW OF GOVERNANCE MODELS IN CANADIAN PORTS

### 5.1. PRINCE RUPERT PORT AUTHORITY, BRITISH COLUMBIA

Prince Rupert Port is located in northwest British Columbia at the western terminus of a CN rail line and the western terminus of Highway 16. The port has a long history of handling coal and other dry bulk exports and has developed and is expanding a successful two berth container terminal called Fairview Terminal.

Prince Rupert Port Authority, as established through the Canada Marine Act of 1998 (Port Authority was created in 1997), is operated by a Board of directors with full control of decisions related to the port.

- “The Port Authority is responsible for the overall planning, development, marketing and management of the commercial port facilities within Prince Rupert Harbor. This includes ensuring competitive, efficient and timely responses to customer needs and business opportunities. It also means ensuring we facilitate these opportunities in a manner that is safe, responsible, and sustainable”, as per Mission statement of Prince Rupert.

Canada Marine Act was established to make Canadian ports more competitive in a global economy that is becoming more integrated. A board of directors (six total) is appointed by various governing bodies including the Governor in Council, the local municipalities, and the province or provinces in which the port is located. The board of directors serve three-year terms and may not serve more than three consecutive terms (nine years).

The board has decision making authority for issues relating to the port and wields that power as long as majority of members are present. The majority of port land is owned by the Government of Canada with control given to the Prince Rupert Port Authority (Canadian government essentially maintains ownership of port property but gives power over to the Port Authority). The Port Authority owns items of property within the port with the ability to operate or lease out (the body receives lease payments and other payments as stipulated by the agreements).

The Port Authority has the power to collect tariffs and fees from all port-related activities, including: harbor dues (fee per vessel that enters harbor), wharfage fees, lighterage fees, dockage fees, services and facilities fees, water service fees, and a Ridley Island Project Cargo fee. However, the Port Authority does not own or have control over all land surrounding Prince Rupert Harbor and a variety of liquid bulk terminal development projects involving private entities such as Petronas and Alta Gas have been under consideration by the Port Authority.

- While the Port Authority regulates ALL navigation within the harbor, some of the waterfront properties are owned by other entities (public and private)

ALL port land is subject to local municipal or city taxes including federally owned property (e.g. property tax) which is collected by the local city and/or municipalities.

#### Cargo Volume

Container Volume, 2016:

- 736,664 TEU

General Cargo Volumes, 2016:

- Breakbulk – 22,778 short tons
- Grain – 6,141,723 metric tons
- Other Dry Bulk (Petroleum Coke, Coal and Wood Pellets) – 4,888,564 metric tons
- Logs – 454,461 metric tons
- Chemicals – 47,901 metric tons
- LPG – 10,801 metric tons
- Cruise Passengers – 7,011

### 5.1.1. TERMINAL FACILITIES AND CARGO TYPES THROUGH PRINCE RUPERT

**Containers (intermodal)** – annual capacity of 850,000 TEU

- Fairview Container Terminal - operated by DP World
  - 59 acre container terminal currently being expanded to 120 acres. Expansion completion expected by summer 2017. The terminal is fronted by a 1200 ft. long pile and caisson wharf presently being extended to 2,000 ft.
  - Plans exist for additional expansion to the south as container volumes grow

**Bulk (e.g. coal, grain, wood pellets)**

- Ridley Coal Terminal - Operated by Ridley Terminals Inc.
- Prince Rupert Grain Terminal – Operated by Prince Rupert Port Authority
- Westview Terminal – Operated by Pinnacle Pellet.

**Project Cargo**

- Ridley Project Cargo Facility – Operated by Prince Rupert Port Authority – Consists of a single roll-on roll-off (RoRo) ramp for loading containerized and non-containerized barge cargo.

**Cruise**

- Northland Cruise Terminal – Operated by Prince Rupert Port Authority - Single berth cruise ship terminal consisting of a 985 foot long, pile supported, longitudinal breasting wharf with connecting access ramps and a 4,000 square foot building. Water depth at the berth is approximately 50 feet. According to the Prince Rupert Port Authority website, the terminal handled 7,011 passengers in 2016 and is expecting approximately 17,000 in 2017 on 25 vessels.

**Ferry Operations**

- Alaska Ferry and BC Ferries Terminal – Operated by Alaska Marine Highway and BC Ferries – consists of a two timber pile berthing facility which includes hydraulic vehicle ramps and pave access and parking.

### 5.1.2. CAPITAL PLAN

- The Prince Rupert Port Authority five year Capital Plan includes future expenditures primarily to alleviate existing and anticipated rail bottlenecks by the construction of additional siding tracks and additional parallel main line rail, primarily in the Ridley Area. The rail improvements will not only accommodate anticipated volume growth at the existing Fairview and Westview Terminals but will also provide for future growth of the existing and new dry bulk terminals on Ridley Island. Primary terminal developments and equipment will be constructed by the terminal operators
- The capital plan also includes the construction of an off dock container yard and an expansion of the RoRo terminal
- The capital plan seems consistent with the anticipated cargo volume growth at Prince Rupert.

## 5.2. PORT METRO VANCOUVER, BRITISH COLUMBIA

Port Metro Vancouver (PMV or the Port) is located in Vancouver Harbor in the City of Vancouver, British Columbia (BC), and is under the jurisdiction of the Vancouver Fraser Port Authority (VFPA). VFPA manages more than 2,470 acres of land, approximately 220 kilometers of shoreline, and over 39,500 acres of water. PMV is the largest port complex in Canada in terms of total tonnage handled (138 million in 2015), and benefits from serving trade demand across a wide range of cargo types including dry and liquid bulk, breakbulk, containers and RoRo cargo. There are a total of 27 terminals for cargo and passengers. There are three Class I railroads and one short-line railroad serving the port.

PMV's main facilities are situated on the North and South Shores of the Burrard Inlet, a well-protected and easily navigable waterway virtually in the heart of greater Vancouver. The port complex also includes the Roberts Bank facility which is located 14 miles south of the Burrard Inlet and is reached by a 2 mile road and railway stretching out from the shoreline. Roberts Bank consists of two facilities including the Deltaport Container Terminal and Westshore Terminals' largest and most modern,

deep-water coal handling facility in North America. Facilities in the Fraser River are also now included within PMV's limits, however, vessel access to these riverine facilities are constrained by water depth and river flow.

**Cargo Volume**

Container Volume, 2016:

- 2,929,585 TEU

General Cargo Volumes, 2016:

- Breakbulk – 16,240,034 metric tons
- Bulk (Liquid and Dry) – 93,846,874 metric tons
- Autos – 393,280 units
- Cruise Passengers – 827,000

**5.2.1. FACILITIES AND CARGO TYPES THROUGH PORT METRO VANCOUVER**

PMV has a wide variety of terminals and handles all cargo types across these facilities. Table 5.1 provides an overview of the terminal facilities.

TABLE 5.1: TERMINAL OPERATIONS BY CARGO TYPE

Terminal Type	Terminal Name	Operator	Notes
Automobiles	Fraser Wharves	Fraser Wharves Ltd	Closed
	Annacis Auto Terminal	Wallenius Wilhelmsen Logistics	BMW, Honda, Hyundai, Kia, Mercedes Benz, Mitsubishi, Nissan, and Subaru
Breakbulk	Lynnterm	Western Stevedoring Company	Wood pulp, Paper, Lumber, Panel Products, Logs, Steel products, Project Cargo, and machinery
	Fraser Surrey Docks	Fraser Surrey Docks LP	Containers, General Cargo, Logs, Lumber, Steel, Bulk Grain and Wood Pulp
Bulk	Alliance Grain Terminal	AGT	Grain and grain products
	Canexus Chemicals	Canexus Chemicals Canada	Imports of Bulk Sea Salt. Exports Caustic soda and sodium chlorate
	Cargill	Cargill Limited	Wheat, durum, canola, barley and grain by-products
	Cascadia	Viterra Inc.	Grain terminal handling wheat, durum, canola, barley, rye, oats and by-products
	Fibreco	Fibreco Export Inc.	Largest woodchip handling facility in the world. Ships Wood pellets.
	IOCO	Imperial Oil Limited	Petroleum Terminal : HFO, IFO and MGO
	Kinder Morgan Vancouver Wharves	Kinder Morgan Canada Terminals Ltd	Bulk mineral concentrate liquids, Sulphur/fertilizers, specialty agri-products
	Kinder Morgan Westridge	Kinder Morgan Canada Terminals Ltd	Imports and stores aviation turbine fuel for delivery to Vancouver International Airport. Handles petroleum, petroleum Products and jet fuel.
	Lantic Inc.	Lantic Inc.	Imports bulk raw sugar. Refines and processes the sugar.
	Neptune Bulk Terminals	Neptune Bulk Terminals Canada Ltd	Exports : metallurgical and thermal coal, potash, specialty grains, agri-products
	Pacific Coast Terminals	Pacific Coast Terminals	Sulphur exports and Ethylene Glycol
	Pacific Elevators	Viterra Inc.	Handles canola, flax, and peas. Also handles various bulk manufactured agri-forage and by-products.
	Petro-Canada	Suncor (one of the largest integrated O&G companies in Canada)	Miscellaneous Petroleum Products
	Richardson International	Richardson International	Handles wheat, canola, barley, rye, flax, grain and feed products. Major exporter to trading economies along the Pacific rim.
	Shellburn	Shell Canada Ltd	Miscellaneous Petroleum Products
	Stanovan	Chevron Canada Ltd	Miscellaneous Petroleum Products
Univar Canada Terminal	Univar Canada	Caustic Soda solution and ethylene glycol	
West Coast Reduction	West Coast Reduction Ltd	Inedible tallow, feather meal, poultry meal, blood meal, canola oil and fish oil.	
Westshore Terminals	Westshore Terminal Limited Partnership	Coal	
Container	Deltaport	GCT Canada	Containers
	Fraser Surrey Docks	Fraser Surrey Docks LP	Containers + General Cargo, Logs, Lumber, Steel, Bulk Grain and Wood Pulp
	Vanterm	GCT Canada	Containers + Project Cargo, Bulk Oils
	Centerm	DP World	Containers + Forest Products
Cruise	Ballantyne	Cerescorp	Closed
	Canada Place	Cerescorp	Dedicated Cruise

Source: Port Metro Vancouver

### 5.2.2. PLANNED CAPITAL PLANS

Current Port of Vancouver planned capital plans includes projects value of approximately \$1.3 million over the 2016 – 2020 timeframe. The total capital plan includes approximately \$272M for the Centerm Expansion Project, approximately \$167M for the Roberts Bank T2 project, and approximately \$90 million for the Deltaport Terminal, Road and Rail Improvement Project (DTRRIP).

The Centerm expansion project includes approximately 15% terminal footprint increase, reconfiguration of the terminal, and improvements to off-site rail/road infrastructure. This project is envisioned to increase overall terminal capacity from 900,000 TEU/Year to 1.5 million TEU/Year.

The Roberts Bank T2 Project would be constructed adjacent to the existing Roberts Bank container operations. The project provides for a new three berth container terminal. The new terminal capacity would add 2.4million TEU/Year to the existing Vancouver capacity. This project is anticipated to be completed by the mid 2020's.

The Deltaport Terminal, Road and Rail Improvement Project (DTRRIP) would provide additional road and rail capacity. Additionally, the project provides for segregation of road and rail traffic for safety and efficiency. It is estimated that this project would add another 600,000 TEU/Year for a total of 2.4 million TEU/Year for Deltaport.

### 5.3. STEWART, BRITISH COLUMBIA

Unlike Port Metro Vancouver and Prince Rupert Port Authority, the Port of Stewart in British Columbia is not one of the designated Canadian Port Authorities or CPA's. Stewart is located at the head of the Portland Canal, and is a deep-sea harbor within reasonable distance to major mining resources. There are two cargo facilities in Stewart, Stewart Bulk Terminals Ltd. and Stewart World Port, a new facility completed in 2015. These facilities mainly handle minerals, logs and other breakbulk project cargoes destined to the interior of Canada and Alaska.

These facilities are located on lands owned by the District of Stewart, BC and thus fall under the jurisdiction of the provincial district government.

#### Stewart Bulk Terminals Ltd.

Privately owned and operated by the partnership of the Soucie family and Jack Elsworth. This facility loaded concentrate from the Granduc I Newmont copper mine while it was in production. In 1999 the facility loaded total tonnage of 418,000 metric tons from four mines, as of 2015, the facility is only handling ore from the Huckleberry mine and the Red Chris mine (both copper mines). The company is working on opportunities to expand the terminal by constructing a sheet pile and fill wharf expansion to allow handling of barged general cargoes, bulk cargo and other equipment<sup>5</sup>.

#### Stewart World Port

This new facility was developed jointly by the District of Stewart and private interests (The CEO of Stewart World Port is Ted Pickell whose family company, Arctic Construction, has been working in northern Canada for over 60 years). The District owned old dock lands and a bulk export log handling facility that was in poor, unusable condition. By partnering up with the private sector, the District was able to purchase additional lands from the Province in a phased manner that was affordable to the District, allowing the purchase to occur over multiple budget years and creating a revenue sharing arrangement that would allow funds to flow to the District once the port facility began to generate revenue. The District signed a 60-year lease with Mr.



Source: Stewart World Port website

FIGURE 5-1. PORT OF STEWART

<sup>5</sup> <http://investnorthwestbc.ca/major-projects-and-investment-opportunities/map-view/stewart/stewart-bulk-terminals>

Pickell's company and thus collects lease revenue in addition to tax payments. There is also a flow through charge assessed on imported and exported goods through the facility with a minimum annual throughput charge guaranteed in the agreement<sup>6</sup>.

The District has committed over CD\$200,000 (approximately US\$150,900)<sup>7</sup> to this project thus far to acquire some of the lands and is expected to need an additional CD\$100,000 (approximately US\$75,450) to complete the land acquisition. This financial commitment is in addition to considerable time and effort by the small staff of the District, putting quite a strain on their personnel resources as well as their financial ones. The responsibility for the refurbishment of the existing dock and boat launching facility, construction of the new barge loading facility, and operating the facility is the private sector's responsibility. If the private sector fails to make this a going concern, the port facilities will revert to the ownership of the District.

Stewart World Port terminal owners have invested approximately CD\$70 million (approximately US\$52,808,000) to build this facility. Since they opened in 2015, they have attracted breakbulk cargo business for pipes (for pipelines), modules moving to the oilfields in Alberta, as well as other commodities. They are also considering adding ore handling capability however that will require an additional investment of CD\$60 million (approximately US\$45,264,000) to build storage and ship loading facilities.

#### 5.4. CASE STUDY – PORT OF SEPT ILES, QUEBEC

- 450 meter long dock able to accommodate up to 50 million tons of material per year
- Export to China was the main driver for building the facility
- Vessel sizes up to 350,000- ton capacity, Chinamax size will be able to use the facility
- Additional 50 million tons of capacity can be added by expanding the dock as demand warrants
- Total cost for the project of CD\$220 million (approximately US\$166 million) was split between the Federal Canadian Govt. (CD\$55 million – approximately US\$41.5 million), the local provincial government of Quebec (CD\$55 million – approximately US\$ 41.5 million) and the five private users that agreed to share use of the facility
  - New Millennium Iron Corp., Labrador Iron Mines Holding Ltd., Champion Iron Mines Ltd., Alderon Iron Ore, and Tata Steel Minerals of Canada
- The agreements with the mining proponents were take or pay contract obligations based on a buy in payment to reserve capacity at the port and based on a discounted rate on port wharfage and shipping fees applied to 50% of the reserved capacity
  - Proponents also had the option to transfer capacity and the associated take or pay contract to other users
- Prior to completion of the new wharf facility, the global demand for iron ore plummeted, putting many of the proponents commitments in jeopardy
  - One proponent, Champion Iron Mines Ltd. terminated its contract with Sept Iles in June of 2016, citing a lack of physical or legal access to the terminal; rail access was not finished to the new facility, the existing rail was held privately and was not adequate in size
  - Since this time, the provincial government of Quebec has purchased the rail assets and extended them to provide access to the terminal.

<sup>6</sup> [https://www.civicinfo.bc.ca/practices\\_innovations/p-stewart.pdf](https://www.civicinfo.bc.ca/practices_innovations/p-stewart.pdf)

<sup>7</sup> All conversions from Canadian dollars to US dollars are based on June 26, 2017 conversion rate of \$.75)





Source: Port of Sept Îles website

FIGURE 5-2. PORT OF SEPT ILES, QUEBEC, CANADA

## 6. PORT GOVERNANCE SUMMARY

Ports vary widely in their governance structure, their use of governing boards and commissions, the scope of their authority and their sphere of influence. In Canada, the Federal Canadian ports (CPAs) are only allowed to engage in activity related to maritime functions, meaning, unlike some of their U.S. counterparts, they cannot manage airports, rail or toll bridge operations. CPAs are considered part of the Federal Government or agents of the Crown to manage port activities related to shipping, navigation, passenger transportation (cruise ships, ferries), goods movement and storage of goods. CPAs are also required to be financially self-sufficient and do not receive funds other than emergency funds or specific grants. As a result, there are more instances of private-sector lending for improving or adding infrastructure, as outlined in several of the Canadian port examples provided in Section 5.

In the U.S., ports can be set up in many different ways with varying levels of jurisdiction and authority. Many ports are not true port authorities, such as our Alaska examples in Section 7, rather they are integral administrative divisions of state, county or municipal government. Certain port authorities in the U.S. exist simply to provide bonding authority for port facility financing, such as the Maine Port Authority. The common purpose of all types of ports in the U.S. is that of serving the public interest of the state, region or locality as ports are significant economic engines for the local, regional and in some cases, national economy.

## 7. BENCHMARKING OF GOVERNANCE AND OPERATING MODELS AT SIMILARLY SITUATED PORTS

### 7.1. INTRODUCTION

Of the Alaskan ports analyzed by the M&N team, there were many similarities, both in the governance structure and in the participation, in some cases, of other partners, such as the Alaskan Railroad Corp. (ARRC) in Seward and the White Pass & Yukon Route (WP&YR) railroad in Skagway. The percentage of port property that the City/Borough of Seward currently manages is significantly reduced, meaning there is less port area that requires hands on management oversight by the City/Borough staff. In Seward, the city is responsible for the Seward Marine Industrial Center and the Boat Harbor, while the ARRC is responsible for the cargo and cruise ship berth areas in addition to the rail operations for both cargo and passengers.

Of importance to all the Alaskan ports reviewed for this study is how port facilities can help the local economies. Both Ketchikan and Seward offer haul out facilities for large vessels and have local boat yards that are able to do repairs. These locations are thus able to provide necessary services for these vessels using local labor, providing a good employment opportunity for the city/borough. Mining has also provided employment opportunities in various port locations in Alaska, as has been the case historically for Skagway. The Hecla Green's Creek Mine near Juneau employs over 400 workers most of whom live in Juneau, providing a significant economic benefit to the region.

In terms of the cruise and tourism industry, there are significant similarities in the business requirements for Juneau and Ketchikan as compared to Skagway, as all three of these ports are considered “marquee destinations” for the cruise line industry. Thus, all three of these ports face similar challenges in keeping up with the infrastructure requirements to handle the influx of larger ships that are coming into these ports. Juneau has recently completed a cruise ship terminal project, using a concept chosen by the Docks and Harbor Board of the City/Borough, to address necessary repairs to the existing infrastructure and to provide a more functional waterfront for visitors and residents. See Section 7.4 for more details on the project. Ketchikan has also embarked on a capital improvement program for their cruise berths, using primarily CPV Excise tax funds for the project financing.

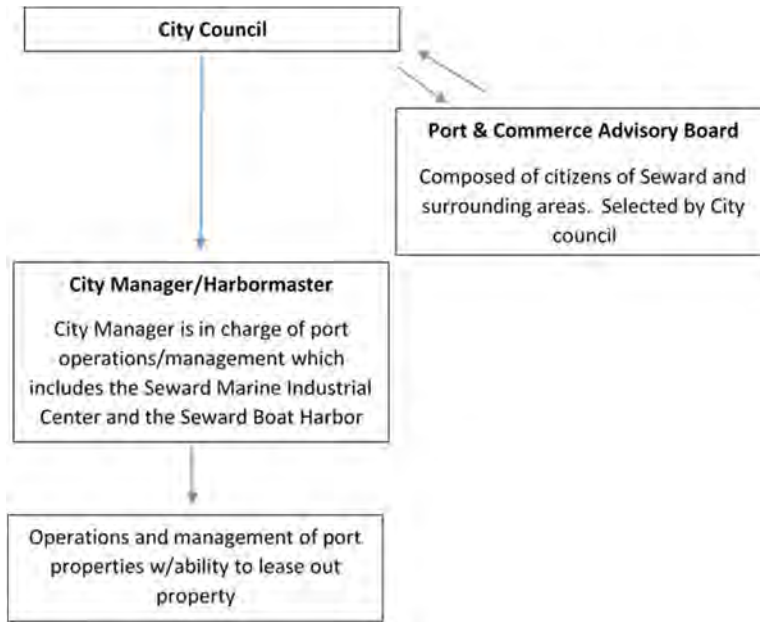
### 7.2. SEWARD, AK

The Port & Commerce Advisory Board of Seward, Alaska is setup as an advisory body to the City Council and is open not only to the citizens of Seward but the surrounding areas that are located within the local jurisdiction. The City Council's representative to the Kenai Peninsula Borough Economic Development District attends Board meetings and reports back to the Council, however, in their absence, this task is given to another member of the board. The primary goals of the board are to provide annual reports to the Council, make recommendations to the Council on port operations and the development of industry related to the movement of goods, and perform miscellaneous tasks as requested by the Council.



Source: CruiseMapper website

**FIGURE 7-1. SEWARD CRUISE PORT TERMINAL**



Source: City of Seward website, M&N

**FIGURE 7-2: SEWARD, ALASKA PORT STRUCTURE**

The port is ultimately operated and maintained by the City of Seward with the Board being maintained for advisory purposes only. The Board will automatically dissolve if not continued by the affirmative vote of the Council during the first meeting of the year and only meets twice a month. Tariffs and fees, as well as taxes, are set and collected by the City of Seward with additional port-related revenues being generated through the Harbor Enterprise Fund. The Seward Marine Industrial Center (SMIC) Enterprise Fund also “accounts for marine-related services on the east side of Resurrection Bay”.<sup>8</sup>

Additional details on the structure of the City Council include:

- City Council:
  - “Seward is a city manager form of government, governed by a Mayor and City Council who are elected by the people of the City. The Mayor and City Council act together as the Governing Body. All Governing Body members serve two-year terms. The Governing Body, being the elected representative of the people, adopts all ordinances and resolutions and determines the general goals and policies of the city”, as stated by Seward
- Council is elected by the population and serves two-year term (six city council members and mayor)
- City Manager is elected by the Council

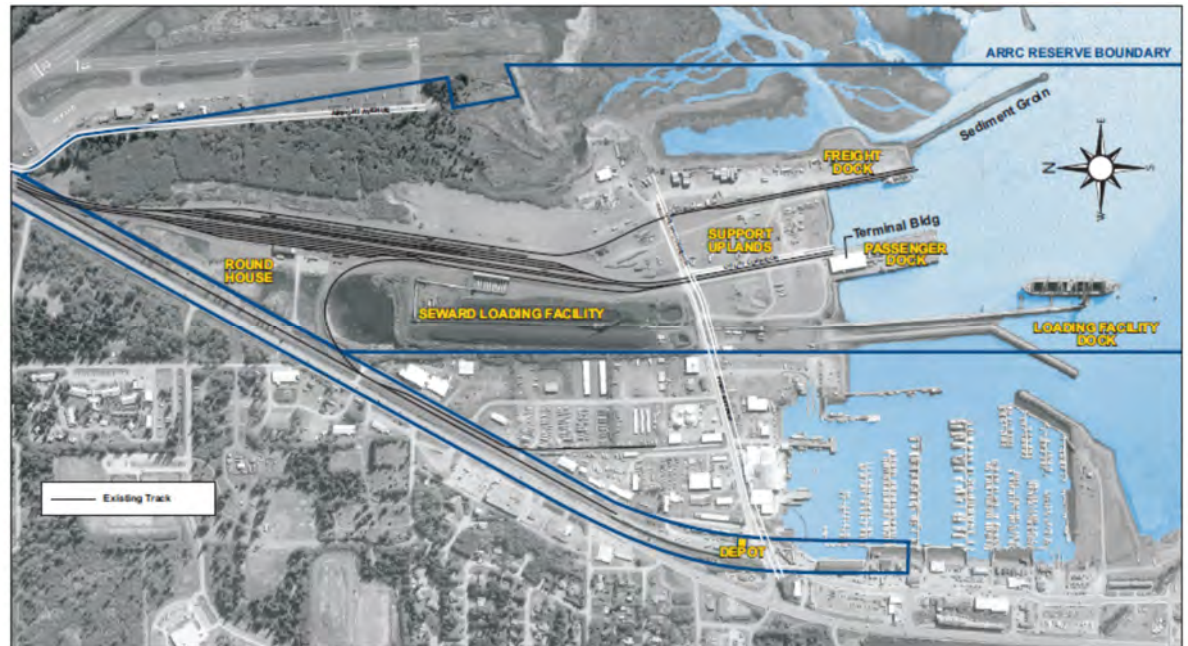
**7.2.1. PORT CHARACTERISTICS (FOR ENTIRE PORT)**

- **Domestic Inbound:** 90,866 short tons in 2015
  - Fuel oil accounts for almost 80% volume followed by lumber and other miscellaneous commodities
- **Domestic outbound:** 149,350 short tons in 2015
  - 99.7% of this volume is coal
- **Cruise passengers:** 191,469 in 2016

As mentioned previously, the ARRC holds a Reserve of 328 acres of land within the Seward port area, as shown in Figure 2.2. All of the cargo and cruise activity takes place within this area, which therefore limits the control the city and borough have over the economic activities. Conversely, the responsibility for improvements to these facilities is also the responsibility of the

<sup>8</sup> <http://www.cityofseward.us>

ARRC, thus taking the burden of funding and port improvements off the city. The ARRC works in close coordination with the City of Seward on all infrastructure improvement plans in order to support and encourage investment in the local community.



Source: Alaska Railroad Corporation, Seward Terminal Reserve Dock Facilities Master Plan 2014

**FIGURE 7-3: ARRC SEWARD TERMINAL RESERVE: EXISTING FACILITIES**

### 7.2.2. FUNDING POSSIBILITIES

#### Grants available from state and federal sources

- Harbor upgrades in 2012 consisted of funding from local funds (CPV tax) and federal funds
- Cost sharing between city and state government<sup>9</sup>
- Funding sources for the Seward Marine Industrial Center Expansion project is expected to “include State and Federal grants, State port bonds, private and AIDEA investment. Seward taxpayers have invested over \$30 million in bonds for existing infrastructure”<sup>10</sup>
- The Alaska Railroad Corporation (ARRC) owns/operates some property within the port of Seward and investments in various projects
- ARRC also received a TIGER grant in 2014 from the U.S. Department of Transportation Maritime Administration (MADRAD) to help pay for the Seward Marine Terminal Expansion Plan, with \$2.5 million provided through the Grant and AARC providing \$500,000 towards the project.<sup>11</sup>

### 7.2.3. COMMUNITY RELATIONS

- ARRC donates to local charities, holds local events, and has a partnership with the local schools, however these seem to be focused primarily in Anchorage and Fairbanks.

<sup>9</sup> <http://www.cityofseward.us/DocumentCenter/View/2119>

<sup>10</sup> <http://www.cityofseward.us/DocumentCenter/View/1992>

<sup>11</sup> <https://www.alaskarailroad.com/corporate/projects>, <http://sewardcitynews.com/2014/12/alaska-railroad-corporation-obtains-grant-plans-future-of-terminal-and-port-of-seward/>, <http://www.aapa-ports.org/advocating/PRdetail.aspx?itemnumber=19973>, <http://www.railportseward.com/about>

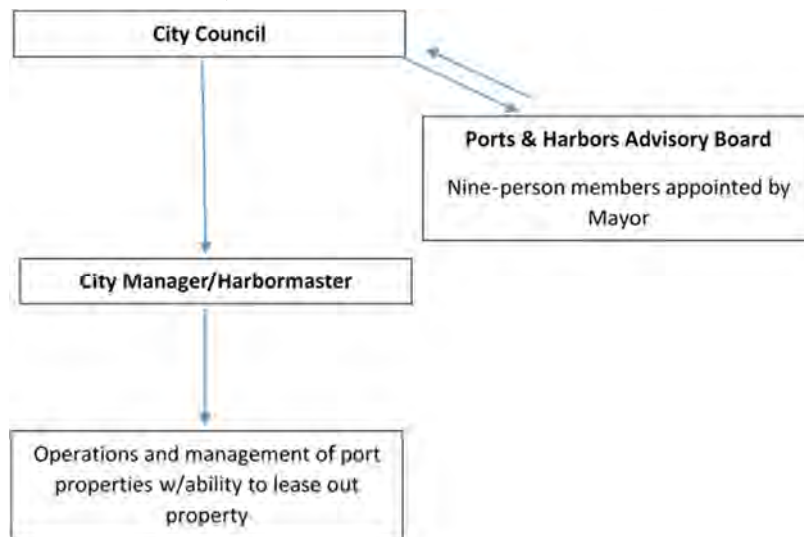
Of the 328 acres that ARRC owns in Seward, railroad operations occupy the majority of the land, including a rail yard, train maintenance facility, passenger depot and terminal facilities. ARRC also owns the docks and upland areas that are used for freight activities, which includes the intermodal operations for the Alaska Barge Service operated by AML. ARRC leases lands not required for railroad operations with current leases for about 50 acres of the total 328.

**7.2.4. FACILITIES OVERVIEW:**

**Freight dock** (approximately 75 acres) with direct access to the state’s rail system, which carries passengers, freight and other resources throughout the state.

- **Cruise Ship Dock** – capable of handling cruise ships with up to 3,000 passenger capacity. Dock is 736 feet by 200 feet with a building of 24,000 square feet to handle passengers
- **Seward Loading Facility** – used to load bulk material onto ships (primarily coal from the Usibelli Mine). It is rail served and has a railcar dumper facility, conveying systems to move material from the railcar dumper to either stockpile or ship, stacker-reclaimer to distribute material from conveyor to stockpile or from stockpile to ship loader, stationary ship loader with conveyor system, an office/control building, and a shop building.

**7.3. KETCHIKAN, AK**



Source: Borough of Ketchikan website, M&N

**FIGURE 7-4: KETCHIKAN, ALASKA PORT STRUCTURE**

Similar to the Port of Seward, Ketchikan has a Ports & Harbors Advisory Board that advises the City Council “on the operation, maintenance and improvement of the City Port facilities and small boat harbors and additional matters, such as the Council may from time to time designate”.<sup>12</sup> The board has nine voting members as appointed by the Mayor and includes a member of the Ketchikan City council with terms for all members lasting for three years or until a successor is appointed.

The Ports & Harbors Department of the city is the branch of the city that operates and maintains five boat harbors, the Port of Ketchikan, and three launch ramps. The Port has established regulations and user fees through the Ketchikan Municipal

<sup>12</sup> <http://www.ktn-ak.us/mayor-and-city-council>

Code. The City collects revenue from port activities via dockage rates, wharfage fees and/or rates, port development fees, loading zone permits, water service chargers, and port access fees.

Overseeing all operations, however, is the harbormaster, city manager, and corresponding staff. According to the City of Ketchikan, “[t]he city manager or his designee is authorized to establish rules and regulations to carry out the intent, provisions, and purposes of any ordinance covering or creating the port of Ketchikan, or establishing charges and rates for the port of Ketchikan”.

### 7.3.1. PORT CHARACTERISTICS (FOR ENTIRE PORT)

- **Foreign Imports:** average of 119,706 metric tons per year between 2010 – 2016 (relatively consistent volumes)
  - Majority is imports of petroleum products from Canada
- **Foreign Exports:** average of 294,377 metric tons per year between 2010 – 2016 (relatively consistent volumes)
  - Vast majority is wood products to Asia
- **Domestic Inbound:** average of 245,342 short tons per year between 2010 – 2015
  - Top commodities include gasoline, fuel, groceries, manufactured goods, and sand & gravel, etc.
- **Domestic outbound:** average of 447,634 short tons per year between 2010 -2015
  - Top items include manufactured products, fish, petroleum products, groceries, cement & concrete, etc.
- **Cruise passengers:** 947,972 in 2016.



Source: 225 Magazine, Kacy Yoder

**FIGURE 7-5. PORT OF KETCHIKAN AND DOWNTOWN**

### 7.3.2. FUNDING POSSIBILITIES

City Council (the Borough) is eligible to apply for State and Federal Grants

- Example includes the Ketchikan Shipyard which is owned by AIDEA, but has had involvement (at the funding and ownership level) by state and federal agencies over the years.<sup>13</sup>

#### Enterprise Fund

The port of Ketchikan is set up as an “Enterprise Fund” similar to Juneau.<sup>14</sup> These Enterprise Fund locations are set up to help pay for maintenance of facilities, capital improvements and other expenses related to keeping up with the infrastructure requirements of the industries served. In the case of Ketchikan, keeping up with the changes in the cruise industry has been a key driver. The two oldest cruise ship berths in Ketchikan, Berths 1 and 2, have been undergoing a multi-million dollar, multi-year, multi-phase renovation to both the berth facilities and the upland areas, providing improvements that will create a better visitor experience for the cruise passengers. There are more improvements that Ketchikan will need to make to provide adequate access and egress for the larger capacity cruise ships, including looking at adding floating cruise ship berths of Berths 1 and 2.

<sup>13</sup> [http://www.aidea.org/Portals/0/PDF%20Files/PFS\\_KSY.pdf](http://www.aidea.org/Portals/0/PDF%20Files/PFS_KSY.pdf)

<sup>14</sup> <https://www.krbd.org/2016/05/03/port-project-done-in-time-to-plan-more-renovations/>

### Private/Public Partnerships

- The Ketchikan Dock Company was created in order to make Ketchikan more competitive in the cruise industry and maintain (and allow for growth in) the volume of passengers visiting Ketchikan
- The group includes AIDEA, Holland America Line Inc., Princess Cruises Lines Ltd., Royal Caribbean Cruises Ltd. and Survey Point Holdings, Inc.
- AIDEA with Wells Fargo gave a \$13 million loan to the Company
- The KDC leases out the new facilities from the City and operates them in cooperation with the aforementioned cruises liners.<sup>15</sup>

### 7.3.3. COMMUNITY RELATIONSHIPS

- Vigor operates the shipyard

The firm donates to the Ketchikan Committee for the Homeless (PATH) and Ketchikan Senior Services, Inc. (KSCI).<sup>16</sup>

## 7.4. JUNEAU, AK



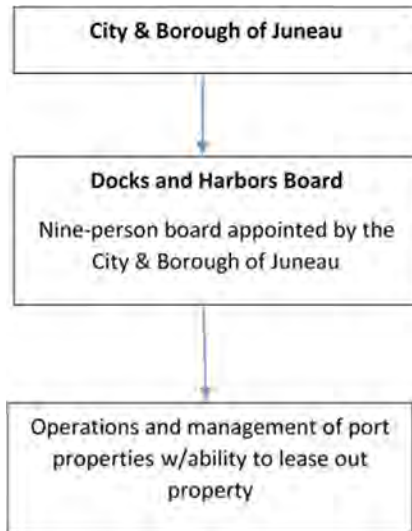
Source: PND Engineers, Inc. website

**FIGURE 7-6. PORT OF JUNEAU CRUISE SHIP BERTHS**

<sup>15</sup> <http://www.aidea.org/Programs/LoanParticipation/SuccessStories/KetchikanDockCompany.aspx>

<sup>16</sup> <http://vigor.net/about/vigor-impact/giving-back>





Source: Borough of Juneau website, M&N

**FIGURE 7-7: JUNEAU, ALASKA PORT STRUCTURE**

The Port of Juneau, Alaska is managed and operated by the Docks and Harbors Board that is tasked with operating the two cruise ship docks, several small boat harbors and small boat floats, six launch ramps, two commercial loading facilities, two boat yards, a combination fisheries/regional freight facility (the Auke Bay Loading facility), as well as various tidelands and waterfront properties. The Board is composed of nine individuals that are appointed by the City & Borough of Juneau (CBJ) Assembly. The Port Director is appointed by the Board and is the chief executive of the Port. The Director’s staff “consists of a Harbormaster, a Port Engineer, a Deputy Port Engineer and an Administrative Officer”.<sup>17</sup> The Docks and Harbors Department operates much like a port authority except that it does not have independent taxing authority.

Similar to Ketchikan, the direct funding for the Port is defined as an enterprise fund and operates without a local property or sales tax subsidy while the Board is financed through a variety of fees, taxes, and both federal and state grants. According to information provided by the City of Juneau, “the annual operating budget of the Docks and Harbors enterprises is about \$5 million per year [and] [t]he annual capital improvement budget is about \$10 million per year.”

Juneau handles the largest number of cruise passengers in Alaska with sales tax revenues of approximately \$7.7 million and CPV Excise tax revenues from the head tax expected to bring in about the same level of revenue, helping offset loss in revenue from the State due to budget cuts.

**Port Characteristics (volumes are for entire port, not only those operated by the Docks and Harbors Board)**

- **Foreign Imports:** average of 9,838 metric tons per year between 2010 – 2016 (large variation)
  - Fuels are largest by volume, however sporadic. Fish are small volumes but consistent.
- **Foreign Exports:** average of 105,520 metric tons per year between 2010 – 2016 (relatively consistent volume)
  - Mainly, Copper, Lead and Zinc
- **Domestic Inbound:** average of 402,878 short tons per year between 2010 – 2015
  - Top commodities include manufactured products, groceries, gasoline, fuel products, food products, etc.
- **Domestic outbound:** average of 181,800 shorts per year between 2010 -2015
  - Top commodities include Cement & Concrete, alcoholic beverages, manufactured products, iron ore, etc.
- **Cruise passengers:** 1,004,774 in 2016.

<sup>17</sup> <http://www.juneau.org/harbors/board.php>

### 7.4.1. JUNEAU'S PORT RE-DEVELOPMENT PROJECT

The Port of Juneau has been working on a massive, multi-phase, multi-year project to upgrade their marine infrastructure to handle the demands of the cruise ship traffic, as vessels have gotten larger and the number of passengers has significantly increased. The core of the project is the two new, public Post-Panamax class vessel berths, with one berth capable of handling a 1,000 foot long ship at the same time as the other berth handling a 1,100 foot long ship. This is in addition to two other private docks of similar capacity. The improvements to the new Cruise Ship Dock also include extensive uplands improvements for the movement of passengers. The Cruise Ship Dock was funded through a combination of local Port development fees and the State's CPV Excise Tax. There were no local sales taxes or local property taxes used to pay for the improvements.

### 7.4.2. FUNDING POSSIBILITIES

These revenues also help Juneau fund infrastructure improvements, such as the recent project at the Cruise Terminal Dock. The new facility will be able to handle one, 1,000 foot long ship at the same time as a ship of 1,100 feet in length. Overview: "Financed through user fees, leases, fisheries business taxes, and federal and state grants, the Port of Juneau Docks and Harbors Department operates without subsidies from local taxes. Special local sales taxes fund specific port projects."<sup>18</sup>

#### Government Grants

- Federal Funds are available to the port:
  - The Port of Juneau applied for a TIGER grant for \$3.225 million for a navigation management facility development project associated with the multi-year rebuild of the entire port infrastructure. "Public/private partnership project between the City and Borough of Juneau, Docks and Harbors Department, Port of Juneau, and the Marine Exchange of Alaska." (2013)<sup>19</sup>
  - TIGER I grant of \$3.64 million was awarded to the Port of Juneau in 2009 to complete Phase II of improvements to the Auke Bay Loading Facility (overall project cost was \$14.8 million)
- Other funds received to help pay for port infrastructure included:
  - \$7.5 million legislative grant towards new floating berths to accommodate larger vessels (2016)<sup>20</sup>
  - Municipal Harbor Grant for \$2,044,230 (2016)<sup>21</sup> from Alaska Department of Transportation (ADOT)

#### Internal Funding

- Funds are available through Port Development Fees and the Docks Fund. These are funded by fees collected for usage of the facilities and through passenger fees. They can be put towards development projects, such as the Cruise Ship Berth Improvement project.
- State Grant Revenue bonds, backed by the surcharge levied by the city on cruise ship passengers was also a source of significant funding for the Cruise Ship Berth Improvement Project (\$29.4 million)
- The Cruise Ship Dock was "funded through a combination of local Port Development Fees and the State's Commercial Passenger Vessel Excise Tax, commonly referred to as 'head tax'. No local sales tax or local property tax has been contributed to the financing."

<sup>18</sup> [http://www.worldportsource.com/ports/commerce/USA\\_AK\\_Port\\_of\\_Juneau\\_3485.php](http://www.worldportsource.com/ports/commerce/USA_AK_Port_of_Juneau_3485.php)

<sup>19</sup> <http://www.juneau.org/harbors/documents/TIGERVApplicationNarrative-GG.pdf>

<sup>20</sup> <https://www.juneau.org/assemblyftp/PWFC/documents/Harbors-JNUCruiseShipDock.pdf>

<sup>21</sup> [http://www.juneau.org/clerk/PWFCAGENDA/documents/Old\\_Douglas\\_Harbor.pdf](http://www.juneau.org/clerk/PWFCAGENDA/documents/Old_Douglas_Harbor.pdf)

### Community – Port Relationship

- Annual Maritime Festival managed by the Juneau Economic Development Council. Free event that held at the beginning of the summer season in order to get the community involved and serve as a reminder of the importance of the port to the local economy.<sup>22</sup>

### Additional Notes

- The City and Bureau of Juneau recently voted to pass an exemption for sales tax applied on cruise ships that are in Juneau's waters. The City wants to encourage cruise ships to visit and stay for longer durations (they do not currently tax on-board sales but it is a point of debate)
- For each additional day in port, passengers spend an additional amount of money in town creating net benefits warranting forgoing the tax revenue of taxing on-board sales<sup>23</sup>
- Based on the fact that the CBJ is discussing the possibility of this tax indicates it is a potential source of port-related revenue for the city.

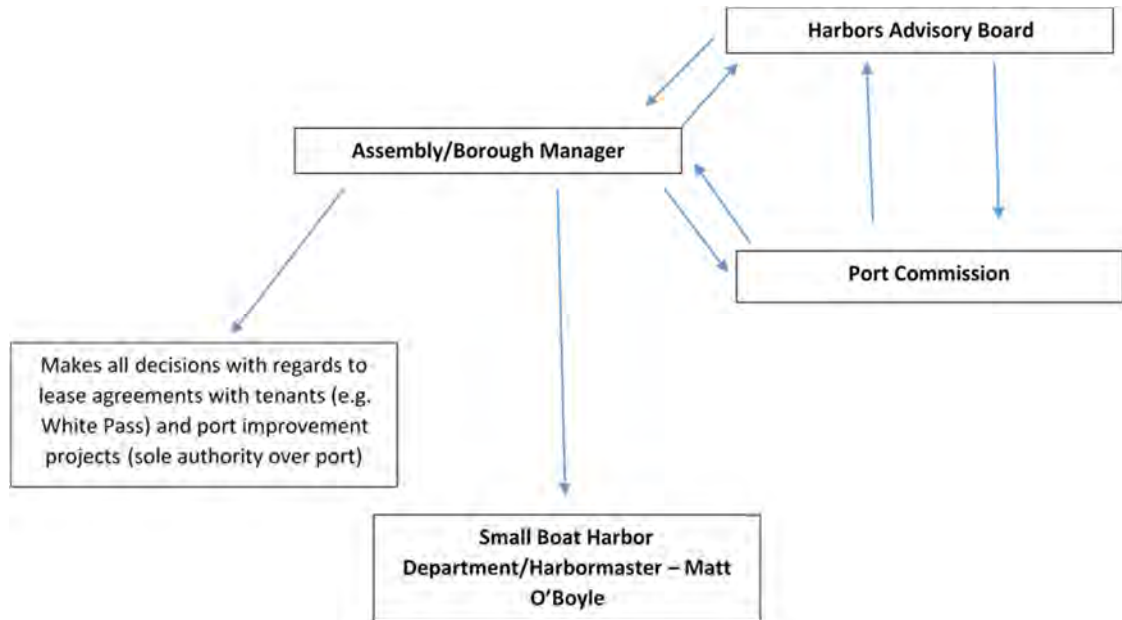
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<sup>22</sup> <http://juneauempire.com/local/2017-05-03/maritime-festival-taking-place-new-cruise-dock-saturday>

<sup>23</sup> <http://juneauempire.com/local/2017-03-07/assembly-passes-ordinance-exempt-sales-taxes-cruise-ships#>

### 7.5. SKAGWAY PORT GOVERNANCE

For purposes of comparison to the other Alaskan ports, an overview of the Port of Skagway’s governance structure is provided below:



**FIGURE 7-8. SKAGWAY, ALASKA PORT STRUCTURE**

The Port of Skagway is managed by the Mayor, Assembly and Borough Manager who have sole authority over all port activity and decision making. The assembly acts and serves as the port authority for the Port of Skagway, unless and until a new port governance structure is adopted by ordinance. The Assembly is elected by the population during the October elections (any necessary appointments outside of October are confirmed by the Assembly until elections take place) and all citizens (registered voters) are eligible to run for office. The Port Commission is a five member group nominated by the mayor, and confirmed by the Assembly, with the purpose of advising the assembly and borough manager on all matters as they relate to the port as well as all transportation in and out of the Municipality of Skagway. The Harbors Advisory Board, however, exists solely for the purpose of advising the assembly on harbor related activity such as development, planning, tariffs, and policy. The Advisory Board consists of seven members that are nominated by the mayor and confirmed by the Assembly.

After receiving advice and information from both the Port Commission and Harbors Advisory Board, all final decision making is made by the Assembly. All operational activity is carried out by the Harbormaster and the supporting department in charge of managing the Small Boat Harbor and the portion of the barge/ferry facility operated by the Municipality. All lease agreements of remaining port and upland property are decided and negotiated by the Assembly. The Assembly is the only port-related governing body that is directly elected by the population of Skagway.

Assembly/Borough Manager:

- Has sole authority over the Port of Skagway and acts as the port authority
- 7 members – open to registered voters of Skagway (residents only), all eligible to put name on ballot

Port Commission:

- Is set up to advise the assembly and the borough manager on all matters relating to planning, maintaining, expanding, developing, financing, administering or operating the Port of Skagway

- The port consists of local and regional transportation or transportation-related systems, facilities and services, including marine, road and highway, rail, air or other transportation systems, facilities and services.
- Five members (must be a registered voter in Skagway)
- Appointed by Mayor, confirmed by Assembly
- Mayor appoints one liaison from the Yukon Territory for communication between the commission and the Yukon Territory
- Mayor appoints an assembly member to serve as liaison between the commission and the assembly
  - Two liaisons attend all meetings and have the privilege of the floor but do not vote
- Members (commissioners) serve 3 year terms
  - Staggered, member appointed each year (serve between 1-3 year terms)
- Meets at least quarterly and the assembly liaison, port director and borough manager have the right to be present in all executive sessions

Harbors Advisory Board

- Consists of seven (7) members and acts in an advisory role to the borough assembly and the port commission on matters of harbor policy, including harbor development, planning, tariffs, and harbor policy
- Appointed by mayor, confirmed by assembly
- Members can include:
  - Candidates representing commercial fishing/charters, dock owners/operators, maritime service industries, recreational boaters, as well as one representative of Canadian interests in the small boat harbor
- An assembly person serves as a member of the board, but does not have a vote
- Same term limits as Port Commission – 3 year terms, staggered and ranging from 1-3 years per individual
- The Board elects a chair and vice-chair on an annual basis

Harbormaster:

- The Harbormaster is responsible for the management and control, operation and maintenance of the Small Boat Harbor and the municipality's side of the ferry/barge facility
- The Harbormaster is subject to the control and oversight of the borough manager and the policies established by the borough assembly

Funding sources:

- The municipality is capable of setting user fees (tariffs) and lease payments with tenants of the port as well as receiving state and federal grants for projects at the port.
  - The Assembly also sets tax rates within the Municipality itself (i.e. those unrelated to the port)
- The Municipality receives CPV Excise tax funds from the State of Alaska (per cruise passenger head tax)
- Port Fund (subset of the Enterprise Fund) exists for those expenses directly related to the port

Community relations:

- White Pass, AML, and Petro Marine are all members of the Chamber of Commerce
- Community activities are concentrated in the summer with the Fall Festival occurring in late October

**7.6. ALASKA PORT GOVERNANCE SUMMARY**

The ports evaluated for this benchmarking analysis have many similarities, as shown below in Table 7.1. The differentiator that stands out most is that Juneau has a Port Director and Board to run the various maritime facilities on their waterfront. While Juneau does have an operating ore export facility, the Municipality/Borough is not responsible for running it as it is a private facility. Of the other ports, only Seward has industrial facilities on the waterfront. However, this facility, used for exporting coal from the Usibelli Coal Mine, is owned and operated by the ARRC (Alaskan Railroad Corporation). All four of these ports are very focused on cruise business with Skagway, Ketchikan and Juneau handling large numbers of cruise ship passengers while Seward is more limited in its cruise business sector. One other note, none of these ports has a locally managed, formal environmental compliance program in place.

**TABLE 7.1: COMPARISON OF ALASKAN PORTS**

Skagway		Ketchikan		Seward		Juneau	
Advisory Board	Yes	Advisory Board	Yes	Advisory Board	Yes	Advisory Board	No
Port Director/Board	No	Port Director/Board	No	Port Director/Board	No	Port Director/Board	Yes
Cruise Capability	Yes	Cruise Capability	Yes	Cruise Capability	Yes	Cruise Capability	Yes
Enterprise Fund	Yes	Enterprise Fund	Yes	Enterprise Fund	Yes	Enterprise Fund	Yes
Access to Federal Funds	Yes	Access to Federal Funds	Yes	Access to Federal Funds	Yes	Access to Federal Funds	Yes
Industrial Port Facilities	Yes	Industrial Port Facilities	No	Industrial Port Facilities	Yes	Industrial Port Facilities	No

## 8. SUMMARY

Port authority governing bodies in the U.S. vary widely in structure and is very unique as compared to how seaport systems in other parts of the world are governed. Due to the vast size of the port industry in the U.S., there must be more flexibility in the system as compared to other countries where ports generally operate under direct control of a national port authority, such as in Canada. There is no national port authority in the U.S., instead, authority is diffused through all three levels of government: federal, state and local.

In Alaska, most ports are integral administrative divisions of the municipal/borough government, operating under the authority of either the municipal assembly or a designated ports and harbors board. Of the Alaskan ports analyzed by the M&N team, there were many similarities in terms of the governance structure, the participation of private entities (such as ARRC and WP&YR), and in the industry makeup of the waterfront activities. All of the Alaskan ports reviewed act as economic engines to the local and state economy, and in some cases the Canadian economy (the Yukon mining activity benefits from having tidewater access in Skagway to get their ore concentrate to international markets). Ketchikan and Seward offer haul out facilities for large vessels and have local boat yards that are able to do repairs which provides good employment opportunities for the city/borough.

All of the Alaskan ports reviewed have a significant cruise and tourism industry, with Juneau, Ketchikan and Skagway acting as “marquee destinations” for the cruise line industry. The cruise industry provides a great boost to these local economies however, it also creates challenges in terms of keeping up with infrastructure requirements to handle the influx of larger ships that are coming into these ports.

Key takeaways from the port governance analysis that are most relevant to the MOS include:

- The path forward should focus on creating a port structure that will allow the Municipality more control over the waterfront.
- Any new lease for waterfront properties should include priorities of the community (such as: improving the visitor experience through improving the uplands areas, maintaining areas for industrial activities, creating a revenue sharing mechanism, etc.).
- The Municipality should consider setting up a governance structure that would incorporate hiring port staff, such as in Juneau. The appropriate level of expertise required to run a port is critical in order to achieve the waterfront development goals of the Municipality.
- The Municipality may want to consider Public/Private partnerships. There are various examples to look at in more detail such as the Ketchikan Dock Company, District of Stewart partnership with Stewart World Port for development of RoRo facility, as well as others.

## 9. REFERENCES:

### Prince Rupert Port Authority

- More information on the tariffs and fees collected by the Port Authority are located here:

<http://files.rupertport.com.s3.amazonaws.com/pages/25/port-tariff-2017.pdf?Expires=1798051954&AWSAccessKeyId=AKIAJT7NKA535OKDFPBQ&Signature=5U7gJmUtwC7hFhAE8hjJU7hwGc%3D>

More details are located here:

[http://files.rupertport.com.s3.amazonaws.com/pages/29/port\\_of\\_prince\\_rupert\\_board\\_member\\_qualifications.pdf?Expires=1794168684&AWSAccessKeyId=AKIAJT7NKA535OKDFPBQ&Signature=lxmZYPCJSIEE8Oerk2qTg%2BLRM%2Bo%3D](http://files.rupertport.com.s3.amazonaws.com/pages/29/port_of_prince_rupert_board_member_qualifications.pdf?Expires=1794168684&AWSAccessKeyId=AKIAJT7NKA535OKDFPBQ&Signature=lxmZYPCJSIEE8Oerk2qTg%2BLRM%2Bo%3D)

### Port of Long Beach

- Port website

### Port of Portland

- Port website

### Juneau, Alaska – Additional Sources

- <http://www.juneau.org/harbors/>
- [http://www.worldportsource.com/ports/commerce/USA\\_AK\\_Port\\_of\\_Juneau\\_3485.php](http://www.worldportsource.com/ports/commerce/USA_AK_Port_of_Juneau_3485.php)
- <http://www.juneau.org/harbors/documents/TIGERVApplicationNarrative-GG.pdf>
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### Ketchikan, Alaska – Additional Sources

- [http://www.aidea.org/Portals/0/PDF%20Files/PFS\\_KSY.pdf](http://www.aidea.org/Portals/0/PDF%20Files/PFS_KSY.pdf)
- <http://www.aidea.org/Programs/LoanParticipation/SuccessStories/KetchikanDockCompany.aspx>
- <http://www.aidea.org/Programs/LoanParticipation/SuccessStories/KetchikanDockCompany.aspx>

### Seward, Alaska – Additional Sources

- <http://www.cityofseward.us/DocumentCenter>
- <https://www.alaskarailroad.com/corporate/projects>
- <http://sewardcitynews.com/2014/12/alaska-railroad-corporation-obtains-grant-plans-future-of-terminal-and-port-of-seward/>
- <http://www.railportseward.com/about>





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