

Matanuska-Susitna Borough - Port MacKenzie Rail Extension

FY2012 Request: \$30,000,000
Reference No: 46242

AP/AL: Appropriation
Category: Transportation
Location: Matanuska Susitna Borough
Impact House District: Matsu Areawide (HD 13-16)
Estimated Project Dates: 07/01/2011 - 07/01/2016

Project Type: Construction
Recipient: Matanuska-Susitna Borough
House District: Matsu Areawide (HD 13-16)
Contact: JoEllen Hanrahan
Contact Phone: (907)465-2506

Brief Summary and Statement of Need:

This project is for continuation of the development and construction of the Matanuska-Susitna Borough Port MacKenzie Rail Extension and contributes to the Department mission of promoting healthy economies.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AIDEA Div	\$20,000,000						\$20,000,000
Gen Fund	\$10,000,000						\$10,000,000
Total:	\$30,000,000	\$0	\$0	\$0	\$0	\$0	\$30,000,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input checked="" type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:

Refer to the funding matrix in the project description.

Project Description/Justification:

This request is for continued development and construction of the Matanuska-Susitna Borough Port MacKenzie Rail Extension Project. The rail extension will promote the diversification of Alaska's economy. Savings will be provided by the rail extension for transporting bulk materials like coal from the Usibelli coal mines to tidewater from Interior Alaska, and will make Alaskan natural resources significantly more competitive in Pacific Rim markets. The rail extension is expected to quadruple coal exports, stimulate development of new mineral mines, development of limestone deposits and related cement industry, and new opportunities for timber exports. An expected 4,000 jobs will be created along the rail line and in Interior Alaska due to new mining ventures and development efforts. South Central Alaska is expected to gain 2,000 permanent jobs over the first 10 years following rail construction, and up to 3,500 jobs over the longer term.

Background: The Port MacKenzie Rail Extension will bring tremendous economical and employment benefits to Alaska. The project will create jobs, lower transport costs and increase economic development. Extension of the rail line will connect the Alaska Railroad Mainline to Port MacKenzie, resulting in a shorter distance to tidewater from the interior that will save more than \$100 million over existing ports for the State's proposed natural gas pipeline. Less expensive bulk transport costs will

also help stimulate the development of natural resources and mines.

The lower costs created by the proposed rail extension coupled with this limestone deposit will create a major new export related manufacturing opportunity for the production of cement. With the rail extension, Alaska will be able to produce up to 15% of the nation's annual need for cement. In addition, the shorter distance to tidewater will reduce the cost of transporting coal by approximately 6 dollars per ton, making coal from Alaska's interior competitive on the world market. Representatives of the Alaska coal industry indicate that once the rail line is completed, it can quadruple annual coal exports from one million tons to four million tons.

An independent study by the University of Alaska-Fairbanks estimates the revenue to the State from new mines averages \$300 million per year over the next 100 years. According to a study by the Institute of Social and Economic Research, the Port MacKenzie Rail Extension Project will create up to 3,400 new jobs over a three year period in construction (currently in progress), 35 jobs in annual operations and another 640 direct and indirect jobs.

Planned FY12 Construction at a total of \$55 million will add 15 miles of rail bed commencing from the end of the 5-mile rail bed segment being constructed in 2011. It will also provide funding for project engineering, environmental permitting, and project management.

Construction will be comprised of three separate construction contracts. Each contract includes clearing and grubbing, excavation of unsuitable material and placement and compaction of various types of fill material.

Engineering will encompass design support and the design for the separate 2014 contract for placement of ties, ballast and rail on the entire extension will also be completed. Work includes all permitting and mitigation measures required for construction of these three segments.

Funding is also required for Alaska Railroad Corporation (ARRC) and the Matanuska-Susitna Borough (MSB) support for project management, including contract administration, planning, stakeholder coordination, agency coordination, federal regulatory coordination and contracted construction management for all construction contracts.

With full funding, the project will be 53% complete when the FY12 work is complete. The remaining project work, approximately ten miles of rail bed and placement of ties, ballast, and rail, is targeted for completion in 2014.

Prior funding history:

YEAR	AMOUNT	LEGISLATION
FY11	\$ 35,000,000	SLA 10, Ch 43, Pg 99, Ln 27
FY09	\$ 17,500,000	SLA 08, Ch 29, Pg 129, Ln 19
FY08	\$ 10,000,000	SLA 07, Ch 30, Pg 88, Ln 8