

January 20, 2023

Mayor Dave Bronson
632 West 6th Avenue
Anchorage, Alaska 99501

Re: AMC 11.50.035D.1.c. Design Advisory Board Member Minority Report Urging Reconsideration of 3-2 Vote To Adopt Revised Basis-of-Design Documents That Will Likely Increase Initial Port of Alaska Modernization Program Construction Costs by >\$200 million, and Future Costs By As Much As \$300 Million More, Without Adequate Justification

Mayor Bronson:

By a vote of 3-2, with only one private-sector member agreeing, the Design Advisory Board for the Port of Alaska Modernization Program at its December 20, 2022 meeting voted in favor of a revised design for the Port of Alaska's new cargo docks.¹

The vote was taken without adequate presentation of relevant alternatives; without adequate consideration of increased costs; and without adequate justification for the proposed expansion.

TOTE and the member of the Design Advisory Board representing petroleum users opposed the decision, which, if proposed by your administration to and subsequently adopted by the Assembly, would likely add more than \$200 million to total initial project costs.² Anticipated "future costs" were presented to be \$149 million for each new cargo terminal.³ The additional costs derive from three factors: (1) expansion of the dock to accommodate 100-gauge cranes and a third on-dock lane for vehicle traffic; (2) expansion of the dock to create new "backreach hatch-cover laydown areas"; and (3) requiring cargo terminals accommodating separate "lift-on, lift off" and "roll on, roll off" operations to, unnecessarily, be equally wide.

As authorized by AMC 11.50.035D.1.c., this is the "minority report" of TOTE and the member representing the petroleum users.

¹ See Design Advisory Board Meeting (Dec. 20, 2022), available at https://www.youtube.com/watch?v=cTfx85iL_1c

² *Id.* at 1:37:24, 1:38:34 (statements of David Ames, Jacob Engineering) (additional \$30m-\$40m to add hatch-cover laydown areas to terminal 1; \$150m to \$200m to widen the Terminal 2 to the same width as Terminal 1).

³ *Id.* at 11:39.

We ask you to request the Design Advisory Board to reconsider its December 20, 2022 vote, and that you instruct Jacobs Engineering, the municipal contractor providing project management services for the Port Modernization Program, to present the Design Advisory Board with alternatives that:

- (1) do not involve the construction of three on-dock lanes for vehicle traffic (as there are only two on-dock lanes for vehicle traffic today, and Alaska’s consumers are today adequately served),
- (2) do not involve on-dock hatch-cover storage areas (as there are no on-dock hatch-cover storage areas at the Port today, and Alaska’s consumers are today adequately served), and
- (3) do not needlessly require Anchorage’s two future cargo docks to be of equal width and/or to include crane rail facilities that will be immediately rendered unusable (i.e., filled in with concrete) to accommodate roll-on, roll-off activities.

We further ask that you instruct the Design Advisory Board, if it subsequently endorses a design that includes additional vehicle traffic lanes, hatch-cover storage areas, or that requires the two future terminals to be of equal width, to provide a written justification for each such requirement, so that all interest parties, and the public, can understand that cost-benefit consideration supporting the recommendation.

Background

The PAMP Design Advisory Board

In July 2020, the Assembly created the Port of Alaska Modernization Program and Design Advisory Board.⁴ The stated intent of the Assembly was for the board to function as a steering committee in order to:

- (1) provide a forum for continued stakeholder engagement and input,
- (2) ensure decisions are made in light of the best available information, and with full awareness of cost implications,
- (3) achieve alignment on design choices; and
- (4) ensure project continuity as administrations and assembly members change.⁵

The main function of the board is to “develop and recommend for adoption basis-of-design documents for future cargo and fuels infrastructure.”⁶

⁴ See AO 2020-81, available at: <http://www.muni.org/Lists/AssemblyListDocuments/Attachments/622531/AO%202020-081%20OCR.pdf>

⁵ *Id.*

⁶ See *id.* AMC 11.50.035D.

Lift-on, Lift off Operations at Today's Port of Alaska: 38-Gauge Cranes, 2 Vehicle Lanes, and No On-Dock Hatch-Cover Storage

Today, Matson delivers containerized cargo through the Port of the Alaska using a "lift on/lift off" service model. Cargo containers are removed from fleet vessels by crane.

The cranes currently in service at the Port of Alaska are "38-gauge," meaning, effectively, that, there is a 38-foot space between the rails on which the crane can move. As depicted in the image below, the 38-foot space accommodates two lanes of vehicle traffic to receive the containers.



Image 1.0: Current 38-gauge crane operations⁷

Matson vessels have hatches that must be removed for offloading. Today, the removed hatches are simply relocated on the incoming Matson vessel. The Port does not have an off-vessel or on-dock storage area for hatch covers.

TOTE's Request for Alternatives and Cost Estimates

Knowing that the width of the future cargo terminals and the decision of whether to include dedicated on-dock hatch-cover storage areas both: (1) significantly affect total project costs, and (2) would need to be addressed by the Design Advisory Board at its December meeting, TOTE submitted a request on October 26, 2022 for the members to be provided with

⁷ Screen capture from Mayor Dave Bronson, *Save the Port of Alaska* (April 21, 2022), available at: <https://www.facebook.com/watch/?v=724452622242913>



"estimates . . . of the incremental costs of constructing a new lift-on/lift-off terminal of various widths, and with or without a dedicated, on-wharf hatch-cover storage area."⁸

TOTE never received a response to its October 26, 2022 letter.

November Emails Announcing the Requirement That Future Cargo Terminal Be Identical

Instead, on Nov. 18, 2022, TOTE and the other members of the Design Advisory Board received emails indicating that the Administration had determined that it is an "essential requirement" that the Port's two future cargo terminals be "identical" or at least of "uniform width."⁹

The email noted that the Port of Alaska's current Terminal 2 (used primarily by Matson) and Terminal 3 (used primarily by TOTE) are of equal width, and that crane-rail infrastructure was once installed at Terminal 3. As further reflected in pictures attached to the email, the crane rail infrastructure installed at Terminal 3 has been filled with concrete (and thereby rendered inoperative) to accommodate Roll-on, Roll Off cargo operations. To TOTE knowledge, the crane-rail infrastructure installed at Terminal 3 has not been used for over 30 years.

TOTE was surprised to receive the emails as: (1) they did not come with any cost information, and (2) the design advisory board had never discussed or considered requiring the future cargo terminals to be of equal width; to the extent the emails indicated that a decision had already been made, they appeared to circumvent the Design Advisory Board process, and not to have been informed by users information or perspectives.¹⁰

⁸ See TOTE Letter to Ribuffo, Re: Design Considerations and Cost Estimates for Lo/Lo Terminal Width and Hatch-Storage Options (Oct. 26, 2022), attached as Exhibit 1.

⁹ See Email of Steve Ribuffo (Nov. 18, 2022) (forwarding an email of Kolby Hickel of Nov. 9), attached as Exhibit 2.

¹⁰ Cf. AMC 11.50.035 *Port of Alaska Modernization Program and Design Advisory Board* (emphasis added):

D. *Purpose and duties; basis-of-design documents. The PAMP-Design Advisory Board shall develop and recommend for adoption basis-of-design documents for future cargo and fuels infrastructure.*

1. *Recommendation of basis-of-design documents and dispute resolution to the mayor.* The board is advisory to the mayor and assembly.
 - a. The board shall advise the mayor to propose for adoption by the assembly design criteria in basis-of-design documents to govern additional cargo and fuels infrastructure at the Port of Alaska.

Jacobs' December 20, 2022 Presentation

Prior to arriving at the December 20, 2022 meeting, members of the Design Advisory Board never received information about: (a) design alternatives, or (b) cost estimates.

The first presentation of alternatives and associated cost estimates occurred at the meeting, in a presentation made by Jacobs Engineering. A copy of the presentation was first emailed to the members *after* the meeting, on December 22, 2022.¹¹

The report outlined four options, each of which assumed that the two future cargo docks would be of equal width:

- (1) a 100-gauge crane accommodating option, which initially would have no “backreach area” for hatch covers; the option could result in five lanes of vehicle traffic, but two lanes would be sacrificed for hatch-cover storage; the initial cost of the option was projected to be \$598 million, but the costs would grow to \$149 million if the “backreach area” for hatch storage for was later made functional so that all five vehicle lanes could be used.

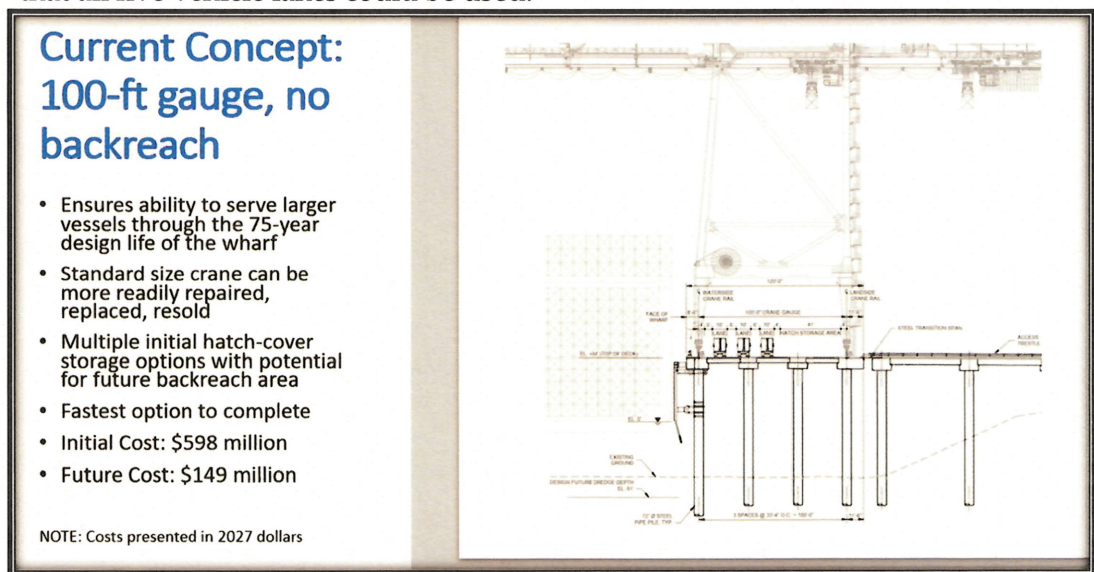


Image 2.0 100-gauge option with initial non-functional backreach area

The remaining options, by contrast, all assumed that a “backreach” area would be built immediately; unsurprisingly, this resulted in significantly higher initial construction costs, even for docks accommodating smaller crane-gauges:

- (2) a 100-gauge crane option with a backreach area projected to cost \$731 million; Jacobs noted, however that “there’s not really a fiscal advantage to the city,” and “only a slight operational advantage [to users]” to actually construct the

¹¹ See JACOBS, *POA Crane Gauge Comparison: Meeting of Design Advisory Board 20 Dec 2022*, attached as Exhibit 3.

“backreach area”; in Jacobs’s view, the “additional \$130 million investment” is not warranted in the short term;¹²

- (3) a 50-gauge crane option with a backreach area, enlarged to accommodate a third lane of vehicle traffic (which would also have to be located behind the crane), all causing the option to be *larger* than the 100-gauge option, and to come with a projected initial cost of \$661 million (with an additional \$124 million if the dock were ever expanded to accommodate a 100-gauge crane); and
- (4) a 64-gauge crane option with a backreach area, accommodating three lanes of vehicle traffic, projected to cost \$656 million (with an additional \$129 million if the dock were ever expanded to accommodate a 100-gauge crane).

Summary Comparison

ALTERNATIVE	INITIAL CRANE GAUGE	INITIAL WIDTH	INITIAL COST	INITIAL COST DELTA	FUTURE COSTS	ADVANTAGES	DISADVANTAGES
BASELINE	100-ft	120 ft	\$598M	---	\$149M	<ul style="list-style-type: none"> • Accommodates 100-ft-gauge cranes with minimal berth width • Ensures ability to serve larger vessels through the 75-year design life of wharf • Common-gauge crane, can be more readily acquired, replaced, resold • Fastest path to completion 	<ul style="list-style-type: none"> • Designated hatch-cover storage areas do not meet current user preference • Limited to three truck lanes between cranes
ALTERNATIVE 1	100-ft	164 ft	\$731M	+133M	---	<ul style="list-style-type: none"> • Ensures ability to serve larger vessels through the 75-year design life of wharf • Common-gauge crane, can be more readily acquired, replaced, resold • Builds future hatch cover storage needs immediately 	<ul style="list-style-type: none"> • Longest construction duration of alternatives under consideration • Requires repeat of preliminary design process • Requires permit revisions with increased pile count
ALTERNATIVE 2	50-ft	130 ft	\$661M	+63M	\$124M	<ul style="list-style-type: none"> • Accommodates current user request regarding crane gauge and backreach area 	<ul style="list-style-type: none"> • Narrower-gauge may require structural modifications to wharf or cranes to serve larger vessels through the 75-year design life • Longer construction duration than baseline • Requires repeat of preliminary design process • Requires permit revisions with increased pile count • Expansion requires disruption of operations or costly initial features
ALTERNATIVE 3	64-ft	128 ft	\$656M	+58M	\$129M	<ul style="list-style-type: none"> • Minimizes crane gauge needed to accommodate three lanes under crane • Accommodates current user request for backreach area 	<ul style="list-style-type: none"> • Narrower-gauge, non-standard-size may require structural modifications to wharf or cranes to serve larger vessels through the 75-year design life • Longer construction duration than baseline • Requires repeat of preliminary design process • Requires permit revisions with increased pile count • Expansion requires disruption of operations or costly initial features

Image 2.1 Summary of options (with highlight)

As indicated in the highlighted portion of the slide above, the presentation noted that a backreach area for hatch cover storage is a “current user request [from Matson],” but otherwise included no justification for including a backreach area in the design. Indeed, Jacobs noted that “there are other alternatives for hatch cover storage.”¹³

Further, Jacobs noted that the alternatives were each accommodating Matson’s request “for three lanes plus hatch cover storage.”¹⁴ But neither Jacobs nor the Port spoke to the need for

¹² See Design Advisory Board Meeting at 11:20.

¹³ *Id.* at 34:02.

¹⁴ *Id.* at 35:02.



or benefits of adding vehicle traffic lanes. As Jacobs put it: “as far as what the business benefit is financially, that’s something Matson would have to provide.”

Finally, the presentation from Jacobs noted that 100-gauge cranes are not needed to accommodate the vessels that Matson intends to bring to the Port.¹⁵ And there was no clear discussion of what size vessel would *require* the Port to have larger cranes; of what gauge crane would actually be necessary to accommodate those larger vessels; or of whether such larger ships can even dock at the Port of Alaska (given tides, Cook Inlet shoals, and other considerations).

The December 20, 2022 Vote

Ultimately, the question put to the design advisory board members was as follows:

- The Mayor recommends changing the PAMP cargo dock design from that which was approved by the Assembly on June 22, 2021, in AO 2021-56, to a cargo dock design that supports 100-foot gauge cranes and has a continuous deck of equal width end to end with crane rail that runs the entire length. **Do you concur?**

As to costs, the Port director indicated that he “really do[es]n’t care” about the costs associated with expanding the design because the facility must “serve the purposes that the municipality wants to it have” and “it costs what it costs.”¹⁶ He indicated that, indeed, it was his view that it was entirely “up to every individual board member to decide whether . . . they’re going to consider the cost component of this.”¹⁷

DISCUSSION

The Municipality and the public were not well served by the recent Design Advisory Board proceedings. Members were not presented with sufficient information ahead of the meeting to make an informed decision; the process was not designed to elicit information from the members; an inadequate range of alternatives was not proposed; and no compelling justification for the decisions to accommodate 100-gauge cranes, hatch-storage areas, or additional vehicle traffic lanes—or require the future cargo terminals to be of equal width—was provided.

Indeed, it appears that significantly cheaper alternatives that would continue to adequately serve Alaskans and Alaska’s military operations are available to the municipality.

No options were presented that eliminated on dock hatch-storage areas, or that allowed less than three vehicle traffic lanes. But back-of-the-envelope analysis of the options that *were* presented indicate that cargo-dock costs are likely to be in the range of approximately \$5 million

¹⁵ *Id.* at 7:24.

¹⁶ *Id.* at 58:44.

¹⁷ *Id.* at 2:07:31.



per foot of dock width.¹⁸ Removing the approximately 43-feet required to accommodate a “backreach” area, and the approximately 16 additional feet required to accommodate a third lane of traffic in the 50-gauge alternative suggests the following (significantly less costly) options are also available to the Municipality, and should be discussed:

Option	Approximate dock width	Estimate (assuming \$5 m / ft of width)
50-gauge, no backreach, two vehicle lanes	71 ft	\$355m
64-gauge, no backreach	87 ft	\$435m

Again, we ask you to request the Design Advisory Board to reconsider its December 20, 2022 vote, and that you instruct Jacobs to present the Design Advisory Board with alternatives that:

- (1) do not involve the construction of three on-dock lanes for vehicle traffic
- (2) do not involve on-dock hatch-cover storage areas, and
- (3) do not needlessly require Anchorage’s two future cargo docks to be of equal width and/or to include crane rail facilities that will be immediately rendered unusable (i.e., filled in with concrete) to accommodate roll-on, roll-off activities.

We also ask that you instruct the Design Advisory Board, if it subsequently endorses a design that includes additional vehicle traffic lanes, hatch-cover storage areas, or that requires the two future terminals to be of equal width, to provide a written justification for each such requirement, so that all interested parties, and the public, can understand the cost-benefit consideration supporting the recommendation.

Such justification will also go toward revealing whether any such expansion beyond current Port of Alaska capabilities is truly an operational need of the Port to serve the People of Alaska, or merely a user-requested “upgrade” that should be financed by the requesting party (and not users not needing or requesting the upgrade.)

¹⁸ Using the width and estimate figures from table 2.1, one can derive the following:

Option	Dock width	Estimate	Derived Cost (\$ m)/ft of width
100-guage	120 ft	\$598m	\$4.98
100-gauge w/backreach	164 ft	\$731m	\$4.46
50-gauge w/backreach	130 ft	\$661m	\$5.08
64-gauge w/backreach	128 ft	\$656m	\$5.13
Average			\$4.91



*** **

Thank you for the opportunity to provide these comments. On behalf of the TOTE organization and the Port's longest-serving cargo port user, we look forward to engaging directly with the Municipality on efforts to modernize of this vital asset that is so incredibly important to the State of Alaska. We are committed to this effort and to coordinating with other relevant stakeholders to ensure alignment on the project needs, the associated costs, and the potential funding sources to ensure we achieve our shared goal of a functioning port that will serve the State of Alaska for decades more to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "Art Dahlin".

Art Dahlin
TOTE Maritime Alaska
Vice President and Alaska General Manager
Member, PAMP Design Advisory Board

A handwritten signature in blue ink, appearing to read "Bert Mattingly".

Bert Mattingly
AFSC
Petroleum and Cement Users Representative
Member, PAMP Design Advisory Board

Attachments:

- TOTE Letter of Oct. 26, 2022
- Email from Administration of Nov. 9, 2022
- Jacobs Crane Gauge Comparison Presentation of Dec. 20, 2022

- cc:
- Steve Ribuffo, Director, Port of Alaska, DAB Member
 - Larry Baker, DAB Member appointed by the Mayor
 - Vic Angoco, Matson, DAB Member
 - Bert Mattingly, ASIG, DAB Member
 - Chris Constant, Chair, Assembly Enterprise and Utility Oversight Committee
 - Meg Zaletel, Vice Chair, Assembly Enterprise and Utility Oversight Committee
 - David Ames, Jacobs Engineering, PAMP Project Lead