

- 1. Pt. Lutak:** The Haines Borough is currently working on a major project to develop its port as a central staging area for construction materials into interior Alaska and Canada. Haines' southeast coastal location and road access to interior Alaska and Canada make it an ideal staging site for mining, natural gas, and bulk fuels. There are currently a number of promising mineral deposits within Borough boundaries, and the Borough has had recent inquiries from mining companies about moving materials, equipment, and supplies into the Yukon Territory. In order to meet the need as a staging port, the community's Port Lutak facility must be expanded and modernized to handle bulk cargo, bulk petroleum, loose cargo, and containers. Pt. Lutak is a deepwater port. The State of Alaska continues to upgrade existing roads and highways to standards that would support heavy cargo transport and to provide low and more accessible road grades. Upland necessary for a staging area is also available.

The U.S. Department of Energy has been investigating the potential for further developing Liquefied Natural Gas as both a domestic energy source and as an energy export product. The Alaska Delegation is working in similar fashion to advocate for regulatory streamlining and tax incentives to enhance the viability of LNG for both in-state use and for export. Both the Yukon Territory and Interior Alaska have significant LNG reserves, and may need access to a U.S. port in Southeast Alaska to take full advantage of export opportunities. The Haines Borough is ideally suited with the Pt. Lutak expansion project to promote the U.S. national interest in energy self-sufficiency by providing port facilities for the export of LNG from Interior Alaska and the Yukon Territory.

The Borough is currently undertaking a Master Plan to develop a business case for the use of its port for large scale projects, including the identification of necessary infrastructure improvements. The Borough encourages the Federal Government and the Alaska Delegation to promote regulatory and tax policies conducive to the export of minerals, LNG, and bulk fuels through Southeast Alaska.

- 2. Haines Harbor:** The current harbor in Haines is overcrowded and cannot accommodate larger vessels. In the summer months, many vessels avoid the harbor entirely on the assumption that space will not be available. It is also exposed to heavy winds from the south, causing reduced maneuverability and damage to the vessels and harbor facilities. Overcrowded conditions in the harbor result in: (1) delays in entering and maneuvering in the harbor; (2) hot-berthing transient vessels in resident vessel slips when vacant; (3) deep rafting of transient vessels; and (4) damage to vessels and harbor facilities. Additional moorage is also needed to improve or provide services such as oil response, water taxi service, and to reduce the costs associated with subsistence harvesting.

Haines is deeply concerned about the decision of the Congress to discontinue the practice of funding specific Army Corps projects within the Energy & Water appropriations bill. The President's proposed FY '13 budget did not provide any funding for ACOE Civil Works projects in Alaska. The current policy discriminates against water dependent communities in the rural areas of the Pacific Ocean region. The current ACOE and Office of Management and Budget evaluation process is heavily weighted to urban ports with large volumes of container and bulk cargo traffic. While this evaluation process allows the Federal Government to weigh the relative merits of urban projects, it fails to reflect the importance of navigation projects for water dependent communities in the non-contiguous states and territories. Further, the current evaluation policy fails to recognize the national interest in a regional system of small ports and harbors for domestic commerce, coastal defense, and maritime safety. The Haines Borough recommends that the Alaska Delegation seek amendments in the Water Resources Development Act reauthorization bill to alter the criteria for evaluating "small, rural, or subsistence harbors" to reflect their local and regional significance, and to fund such projects separately from the urban ports.

- 3. Secure Rural Schools Program and PILT:** The Secure Rural Schools Program and the PILT Program provide payments to boroughs and counties for the loss of revenues that would otherwise be available from the development of sustainable natural resources on federal lands. The SRS Program's authorization has expired. The Haines Borough is scheduled to receive \$271,000 from the Secure Rural Schools Program in 2013. This funding is critical for the continuing success of the Haines School District. The Borough also received \$375,000 in Fiscal Year 2012 in its last PILT payment. These funds are used to pay for basic social services and public safety functions. Both sources of funding are critical to Haines residents. The Congress was able to extend both programs for Fiscal Year 2013, but a four year authorization is necessary in order for boroughs and counties to engage in long-term budget planning. The Borough urges the Alaska Delegation to actively support a four year authorization of SRS and PILT.
- 4. Shakwak Project – North Alaska Highway:** The Highway Bill eliminated funding for the U.S. contribution to reconstruction of the North Alaska Highway. The Yukon Territorial Government is responsible for annual maintenance of the Highway as part of a 1977 bilateral agreement with the U.S., but may discontinue maintaining the road from Haines Junction to the Alaska border if the U.S. reneges on its share of the costs. The Shakwak stretch of the Alaska Highway needs roughly \$100 million in funds for the final reconstruction to pavement standards and resolution of engineering issues relating to permafrost. This stretch of road is critical for the interstate movement of cargo between Alaska and the rest of the United States, including fish products harvested by the Washington State fishing fleet. The North Alaska Highway provides a transportation corridor for minerals, bulk fuels and LNG from interior Alaska and the Yukon. The road is also used by travelers heading to and from Alaska. Haines serves as a terminus for both cargo and passengers moving

along the North Alaska Highway. The Borough strongly believes that it is in the national interest to finalize the reconstruction of the North Alaska Highway, fulfilling the U.S. obligation under the 1977 bilateral agreement with Canada, and providing an effective interstate road corridor between Alaska and the rest of the United States.

5. **Haines National Scenic Byway:** The Haines Borough has received National Scenic Byway grant funding to purchase the Picture Point property to act as a gateway to Haines and the Haines National Scenic Byway. The Borough intends to seek additional funding from this program to construct a welcome center to provide information to visitors on the Haines National Scenic Byway, the community, and other regional features and attractions. The Borough is therefore requesting that the Alaska Delegation continue its support for the retention of the National Scenic Byway Program as part of the Highway Bill's Transportation Enhancement block grant program.
6. **EPA Emission Control Area Rule:** The EPA is implementing a new rule that is currently requiring vessels to use low sulfur (1 percent content) diesel fuel, with a future requirement to switch to ultra low sulfur diesel (0.1 percent) by 2015. The rule appears to have its largest impact on Alaska's cruise ship industry. The cruise ships currently operate on 3 percent bunker fuel. The new rule would result in higher fuel costs as well as engine retrofits. The cruise lines may reduce the number of trips or drop certain ports-of-call in response, as well as levy a per head passenger surcharge. The Cruise Line Industry Association estimates a total of \$427 million in economic losses to Alaska and its community if the cruise lines are forced to convert to low sulfur diesel. The industry has proposed an alternative approach which would allow the ships to burn higher sulfur content fuel while underway, but switch to lower sulfur fuel when approaching ports. The Haines Borough supports this proposed pilot program, and requests the Alaska Delegation to pursue its establishment legislatively in 2013.