

Skagway Port Steering Committee

Steering Committee Charge

Steering Committee Mission - Prepare an actionable business plan with a conceptual port arrangement drawing the Municipality may utilize to make sound port fiscal decisions, advancing the interests of the Municipality and the region.

Of equal importance, if there is no clearly defined benefit to the Municipality or the region, the committee should report that finding as well.

Benefit to the Borough of Skagway - The Municipality shall manage the tidelands (the port) on a self-sustaining enterprise basis.

Need a business case first - What are the fundamental business questions about the Skagway waterfront?

The Municipality is beginning this endeavor with the wisdom of having experienced the legacy of past decisions that have led to the cumulative jumble of uncoordinated waterfront lease holdings with no overall port governance plan or port management structure looking out for the best interests of the Municipality.

Excepting cruise ship commerce, the port suffers from a negative commercial reputation. Some of the negatives are that the port caters to only cruise ships, there is no room for expansion, the port is too busy, Skagway is just a tourist town, there is no coherent "marketing voice" for the port.

The Municipality risks triggering the law of unintended consequences if it begins a program of modernization and expansion of the waterfront without first having answers to these basic questions.

Questions that must be answered

- What are the expected revenues from the various modes of port traffic?
- What is the timing of the expected port traffic revenue streams?
- What will the waterfront improvement cost, over what period of time, using what modes of harbor traffic as revenue?
- What is the cost-benefit analysis of the business case?
- What is the Conceptual Plan or Port Arrangement plan?
- How do the business plan and the conceptual planning get the Municipality to a new and better future with benefits to the Municipality?
- What if the traffic mode changes or does not develop according to the Conceptual Plan? Are there any fatal flaws?
- How much time will be needed?

Skagway Port Steering Committee

- What is the level of certainty of the business plan and the conceptual plan?
- How will the port be managed?

Port Conceptual Plan Scope

Primary Focus:

- The tidelands and uplands bounded by Ferry Way, Point Street and the Skagway River.
- It will be essential the plan is accompanied by a time line of construction versus revenue forecast with a cost benefit analysis.
- Identify and “work” funding sources.
- Discuss and make preparations for a proactive marketing plan to begin in the spring of 2008, following the consultant’s work.

Secondary Focus:

- Old Tank Farm Area, Conveyor ROW along the west bank of the Skagway River, the Three Mile area of the railroad, Klondike Highway and the railroad.
- Railroad Crossings, Highways, Streets, sidewalks and pedestrian flow in the port area.

Construction Phasing of Elements of the Conceptual Plan - The anticipated revenues of terminal throughput plus cruise ship head tax and dockage will steer the construction sequence of the conceptual plan.

Steering Committee Time Lines for Organizing and Planning Purposes (For purposes of discussion, the Small Boat Harbor Projects are excluded)

5 Years - Five years is a reasonable estimate of the time it will require for the Port Steering Committee to get organized and funded, form a conceptual plan, manage a consultant, maybe set up a Municipal Port Authority, plan design/permit, construct and operate the first of a succession of port development projects.

Five years fits the Selwyn Resources lead zinc mine start up goal nicely and gives the Steering Committee a real life project goal. This Selwyn Resources mine project is of a size that the Committee might think of Selwyn as an anchor tenant for large tonnage export.

The 5 Year time frame must capture the following traffic and revenue:

- Cruise ships
- Yukon inbound base freight
- Sherwood Copper

Skagway Port Steering Committee

Petroleum energy/ mine project	at least 30,000,000 gallons per year
Seattle Barge Traffic	20 to 40,000 tons per year
Van /Pr. Rupert Rail Barge	100,000 tons per year
Mackenzie Gas Project	40,000 tons for 3 years
MGP line pipe	71,000 tons for 2 years
Alaska Gas Line	200,000 tons for 3 years
AGL line pipe	457,000 tons for 2 years
Exported Minerals	Per Roy Matson
Selwyn	715,000 to 880,000 tons per year
Sherwood Copper	40,000 tons per year

Port Traffic Revenue Stream - Port Tariffs for initial discussion

Cruise ship passenger head tax	\$7.75 to \$8.00 per head
Cruise ship dockage	\$3.00 per foot
Cargo ship/barge dockage	\$3.00 per foot
Petroleum Products	\$4.00 cents per gallon
Rail Barge Freight Base	\$10.00 per ton
Coal	\$7.50 per ton
Ore	\$8.50 to \$11.0 per ton
Ores (vary by volume)	In the range of \$8.50 to \$10.00 per ton
MGP surge freight	\$10.00 per ton
MGP line pipe	\$20.00 per ton
ALCAN surge freight	\$10.00 per ton
ALCAN line pipe	\$20.00 per ton

Estimated Port Capital Costs - Most of the Skagway port capital costs presented in the Yukon Port studies by various consultants follow the port improvement costs prepared for and provided in the Alaska Canada Rail Feasibility Report.

Paul Taylor is working up detailed cost estimates for features of the port project so that the committee may "mix and match" and apply cost components to the conceptual plan as it is developed. This method of "costing out" will be of great utility for the committee to use during discussion of the conceptual plan.

Steering Committee Tasks - Appoint a Chairman anointed with all the usual responsibilities of a chairperson, regularly reporting the progress of the committee to the Borough Assembly.

Skagway

- Manage the Committee.
- Manage the reporting timelines and content.
- What level of truck traffic will the community accept?

Skagway Port Steering Committee

- Provide guidance to key issues such as the conveyor line, tidelands filling, waterfront leases, scope boundary, etc.

Yukon (partially shared with Skagway)

- Estimate Yukon inbound freight levels for:
 - Petroleum products.
 - General Yukon inbound freight.
 - Alaska Highway Pipeline freight and line pipe.
 - MGP freight and line pipe.
- Estimate outbound tonnage levels of exported minerals.
- What is an acceptable range of highway traffic and/or what level of tonnage does the resumption of Yukon rail Freight become attractive?
- What level of truck traffic will Yukon accept?
- What is the effect of Prince Rupert to Skagway barge service?

Southeast Stevedoring

- Estimate size (length & beam), passenger capacity and number of cruise ships, framed with the time line.

White Pass

- Does White Pass have a plan to accommodate new and larger cruise ships?
- Does White Pass have an interest in constructing a 3'd berth southward of the Railroad Dock?
- Is there a Plan for use of the Ore & Broadway Docks for other than cruise ship traffic?
- Will WP enter into a discussion with the Municipality to remediate the lead and zinc contamination as part of a Municipal port expansion plan?
- Understanding the railroads interest in maintaining the status quo of the summer tourist operation, what is the estimated tonnage level range & type of freight necessary to reinstate freight service to Yukon?

AIDEA

- 1A - Need: As-builts of Sherwood reconstruction of the terminal.
- 1B - Need: Plans of future reconstruction intentions.
- Address the location of the ship loader issue.
- Assist with estimates of exported minerals tonnages.

Mining

- Verify export mineral projections.

Skagway Port Steering Committee

- Assist with the ship loader location issue.
- Assist with port operation issues.
- Assist with capital and operating costs preparation.

Port Consultant Charge - Prepare conceptual plan layout and business plan for the port. The steering committee can take the single plan (multiple Yukon plans and rail plans) that they like best and make additions/deletions and modify the plan to best represent the wisdom of the committee. The marked up plan would then be provided to the consultant as a clear plan representing the collective insight of the committee.

If the Steering Committee requires a report by February 15th the consultant should be given at least the following guidance:

- Be provided with the business plan hurdle rate for capital expenditure
- Be provided with the best Committee conceptual plan and port arrangement
- Be provided with an outline of the committee's estimate of revenue matched to construction sequencing
- Provide real life workable solutions to the lead/zinc issue
- Fix the Five Year time frame outlook
- Estimate of capital cost range
- Estimate of tonnage by type of commerce
- Verify Port fees (revenue) are reasonable
- Prepare Port operating cost estimate
- Identify fatal flaws to the port plan
- Suggest solutions to the railroad, highway, street, pedestrian conflicts on the waterfront with conceptual drawing(s).

Port Consultant Work Product Delivery Timeline (still doable)

- Near term. Consultant to have a draft conceptual plan, construction phasing of the conceptual plan, cost estimate and cost benefit analysis ready by February 1st with a final report delivered by March 15th using the pessimistic business case out to five years.
- Longer term. At the pleasure of the committee after consideration of the short term.