Executive Summary


National Strategy for the Arctic Region Implementation Plan Task 1.1.3

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Prepared By

The U.S. Committee on the Marine Transportation System

Arctic Marine Transportation Integrated Action Team

For the

U.S. Department of Transportation
EXECUTIVE SUMMARY

The U.S. Committee on the Marine Transportation System (CMTS) is a Federal Cabinet-level, inter-departmental committee chaired by the Secretary of Transportation. In 2010, the CMTS was directed by statute to coordinate the establishment of domestic transportation policy to ensure safe and secure maritime shipping in the Arctic. The January 2014 National Strategy for the Arctic Region (NSAR) Implementation Plan (IP) directed the U.S. Department of Transportation to execute three tasks under the objective Prepare for Increased Activity in the Maritime Domain. These tasks were delegated to the CMTS by the Office of the Secretary of Transportation in May 2014.

This third NSAR IP action report by the CMTS fulfills Action 1.1.3 to “Develop recommendations for pursuing Federal public-private partnerships in support of the needs assessment and identified prioritized activities.” Action 1.1.3, draws upon existing products developed by the CMTS, independently by CMTS participating member Federal agencies, published reports from outside the Federal government, and outreach with Arctic stakeholders and tribal representatives. These sources were used to develop the recommendations for use of public-private partnerships (P3s) in developing, improving, and maintaining infrastructure in support of Federal maritime Arctic activities, national security, navigation safety, and stewardship of natural resources.

The recommendations in this report are presented in the order in which they generally appear in the text. They are not ranked in any particular order and serve to reinforce the overarching recommendation that P3s are a powerful tool with many opportunities for application in the Arctic. Application of traditional and non-traditional P3 arrangements could serve as a significant source of funding for Arctic maritime transportation needs as well as community and economic development needs. As mentioned in the text, strict interpretations of financial and financing arrangements are not always appropriate, particularly for a region as unique as the Arctic. The following 19 recommendations should be used to help guide the planning process for Federal departments and agencies as well as for communities and industry who are interested in exploring the possibilities P3 may offer for their infrastructure priorities.

1. Federal agencies should work closely with state, local, and tribal governments and the private sector, including Alaska native corporations, to ensure policies maximize overall investment in and adoption of services

2. Federal agencies should work together to create a policy environment conducive for developing holistic innovative financing guidelines that could be applied consistently across the Federal government.
3. Flexibility in determining the national economic benefits of development in Alaska, one of the barriers to any successful P3, may provide an avenue to pursue non-traditional financing and investment arrangements, previously unavailable in the region.

4. Explore whether land use rights and/or land ownership can be leveraged for infrastructure development (e.g. publicly owned land leased and used for private development) as part of a P3 arrangement.

5. There are a variety of potential options and ingenuity for financing, land acquisition, and economic justification that should be explored to the fullest extent possible to identify any collaborative opportunity where P3 or non-traditional financing could be applicable to development of port infrastructure.

6. A regional ship waste management strategy could include a regional reception facility plan which could take advantage of formal or informal agreements, including near-Arctic waters facilities. The benefits of which may include minimizing the risks associated with waste disposal facilities located in remote regions or only seasonally operational and sharing of waste management resources, infrastructure costs, and maintenance costs.

7. Explore potential financing partnerships that would be regionally based and, depending on the locations included in the agreements, include facilities that are available year-round as well as seasonally, thus minimizing risks and maximizing potential users.

8. Leverage existing programs and find ways to adapt them to the infrastructure needs of Arctic communities may provide a first step toward ensuring infrastructure exists to expand the maritime capabilities.

9. Combine the benefits of grant and finance programs to provide more flexibility for small communities to increase their infrastructure stability and energy security and grow their maritime economies.

10. Work to identify private partners and stakeholders who can provide the capital and the freight to submit for Marine Highway Project funding to cover infrastructure deficits.

11. Review Alaska airport locations that would be considered critical infrastructure nodes during an emergency response situation and explore the possibility of using the FAA Airport Privatization Pilot Program or similar to ensure that airport infrastructure is sufficient to support a large scale response.

12. Identify opportunities for research and development (R&D) cooperative projects which could leverage both the needs of the Government and communities with the talents and funding of private industry. Identify opportunities where known technology gaps can be leveraged through investment partnerships that are then able to market the resulting
products back to governments and the private sector potentially providing an opportunity for the return on the investment needed to get critical technology to market.

13. Utilize programs like Arctic Oil Spill Response Research (OSRR) to build the base for technology development, demonstration, and staging/deployment which could take the form of P3 or similar financing arrangements.

14. Support the use and expansion of predevelopment fund for cutting-edge projects to provide seed capital for regional collaboration models such as regional infrastructure exchanges and set up an Arctic-region infrastructure exchange.

15. Expand access to predevelopment funding for infrastructure projects, and identify opportunities for connecting state and local-based projects with complementary Federal predevelopment resources.

16. Explore non-traditional P3 structures such as subsidy payments, analogous to an availability payment, which includes specific service requirements and accountability that need to be maintained in order to receive the funding. This would include developing a methodology to compare the costs of firms applying for the subsidy payments to the average cost of “similarly situated” firms.

17. Identify and explore programs that are designed to encourage financial institutions to channel their resources to underserved, low income, or non-metropolitan communities in order to help improve the economic resilience and incomes of these communities. Under these programs, financial institutions would have increased incentives to lend to or invest in P3s that are involved with building or rehabilitating communications infrastructure.

18. Identify projects and partnerships where the construction, operations and maintenance, and financing costs of new or rehabilitated infrastructure and services in Arctic coastal communities could potentially be shared by direct payments from local residential/business customers, Federal subsidy-availability payments, as well as payments from by maritime assets (vessels and oil rigs) that would benefit from having access to the asset.

19. Identify alternative P3 incentive structures that can potentially align public and private sector interests in infrastructure provision and management by having both partners share in the project’s downside risk as well as the upside potential.

Infrastructure investment is vital for economic growth and prosperity in the Arctic, especially given the significant infrastructure gaps currently faced. P3s represent a promising approach that can leverage the strengths of the private and public sectors to expand and improve Arctic infrastructure.