

Meet AIDEA

Investing in enterprise infrastructure

By Tracy Barbour

As the relatively-new head of the Alaska Industrial Development and Export Authority (AIDEA), John Springsteen is focusing on a number of important issues concerning mining and resource development: responsible resource development, access, and enterprise infrastructure.

Regarding responsible resource development, Springsteen says Alaska is abundant with renewable and nonrenewable resources. Renewables include everything from timber, fish, and game to beautiful places that attract tourism. Nonrenewable resources like oil, natural gas, and minerals earn money to pay for services and to build savings for all Alaskans. "I believe Alaska has a good model for developing its nonrenewable resources while maintaining these renewable resources, balancing between subsistence, environment, and development," he says.

For example, AIDEA owns the road and port that service the Red Dog Mine, a massive lead and zinc mine located about eighty miles north of Kotzebue. The road to the mine is curved and slightly sloped to facilitate the migration of the dwindling Western Arctic Caribou Herd, and when the leaders of the herd begin to traverse the road, all transit stops. In fact, that's what happened when Springsteen visited Red Dog last year. He explains: "We were driving from the port to the mine to catch a return flight to Anchorage, and caribou had started to cross the road. We turned around and went back to the port, and there we overheard cousins calling cousins with messages like, 'The herd is on the way!' and, 'Fill the freezer!' We waited and waited and ended up flying back the next day. The point is, the rules are well worth the result: a successful passage of thousands of caribou."

The issue of access continues to "hamstring" resource development in the state, Springsteen says. "When I discuss access, I am talking about permission to put infrastructure in place to be able to access a resource," he says. "Working with developers and communities to be able to access resources throughout the state is crucial

in order for the development that pays for Alaska's services and fills Alaska's savings account to take place."

With the proper permissions for access in place, AIDEA's focus is on investing in enterprise infrastructure. Enterprise infrastructure, according to Springsteen, consists of all the things necessary to support resource development. Depending on the resource involved, this could encompass roads and pads, docks, industrial facilities, heat and electricity plants, processing equipment, and other similar industrial infrastructure.

Not New to AIDEA and Finance

Although Springsteen was appointed CEO and executive director of AIDEA in March 2015, he is not new to the organization or the world of finance. He had previously served as AIDEA's infrastructure development officer.

Before joining AIDEA, he worked for global audit, tax, and advisory firms Grant Thornton LLP, PwC, and Deloitte, as well as with the management consulting firms Bridge Strategy Group and The Chicago Group. In addition, he served as vice president and chief financial officer for a small, publicly traded, natural gas exploration company focused on China resource development.

Prior to then, Springsteen worked in the field of environmental engineering, amassing a diversity of experience. In terms of his formal education, he earned a Masters of Business Administration from the Kellogg Graduate School of Management, Northwestern University and an undergraduate degree in civil engineering from the Massachusetts Institute of Technology in 1991.

Promoting Economic Growth and Diversity

Springsteen's broad expertise is serving AIDEA well. AIDEA, a quasi-public corporation of the State of Alaska, was created in 1967 by the Alaska Legislature "in the interests of promoting the health, security, and general welfare of all the people of the state, and a public purpose, to increase job



AIDEA

AIDEA Executive Director John Springsteen.

opportunities and otherwise to encourage the economic growth of the state, including the development of its natural resources, through the establishment and expansion of manufacturing, industrial, energy, export, small business, and business enterprises."

The mission of AIDEA is to provide a variety of financing to support economic growth and diversity. It accomplishes this by acting as a funding resource in partnership with other financial institutions, economic development groups, and guarantee agencies. AIDEA offers a number of programs, including Loan Participation, Conduit Bonding authority, Loan Guarantees, and Development Finance.

AIDEA's Loan Participation, Project Development, and Infrastructure Development Programs are commonly used to finance mining and resource development projects in Alaska. For instance, in its Loan Participation program, AIDEA participated with \$20 million in a loan for dock and facility improvements at Icy Strait Point. Now, there's no longer a need to tender from cruise ship to dock, as the improvements allow cruise ship passengers direct access to Icy Strait Point. "It was great for me to see passengers with limited mobility able to experience the area with their families," Springsteen says.

Under AIDEA's Project Development Program, it provided a \$30 million direct loan to Blue Crest Energy for an extended reach drilling rig that is being used to develop oil reserves in Cook Inlet. This loan is secured by the rig itself and a cash reserve. And in its Infrastructure Development Program, the Alaska Legislature provided AIDEA with bonding authority up to \$145

million to invest in infrastructure and equipment to support development of the Bokan-Dotson Ridge Rare Earth Element mine in Southeast Alaska near Ketchikan. Springsteen says, "This mine is being developed by Ucore Rare Metals Inc., and we continue to work with Ucore as they finalize development plans and pilot test processing equipment."

Focus to Remain on Enterprise Infrastructure

Alaska is a huge state with immense resources. And when it comes to financing Alaska resource development projects, Springsteen is very definite about the direction AIDEA is taking. He says AIDEA will continue to use the tools it has available to finance enterprise infrastructure for resource development. "For projects in the \$1 million to \$25 million range, we will use to the greatest extent possible our Loan Participation Program," he says. "In partnership with other investors, we will use our Project Development Program to make direct investments up to \$50 million. For projects in the \$50 million to \$500 million range, we will use our Infrastructure Development Program to issue bonds for enterprise infrastructure."

AIDEA is also establishing a public/private partnership office at AIDEA to lead in the development of multi-purpose infrastructure. "In addition to enterprise infrastructure for resource development, there are opportunities to work with communities that have public needs/wants to move goods and services and to coordinate with the military and research institutions that need access by land, sea, or air to parts of Alaska," Springsteen says.

The programs AIDEA offers to support enterprise infrastructure have always been in place, Springsteen says. But now there is more clarity about where AIDEA is expected to participate. For example, a port may have multiple uses: public needs and public wants to deliver goods to and from a community; support for military and research vessels; and support for resource development (fish, timber, oil and gas, minerals, and tourism).

For AIDEA, Springsteen says, enterprise infrastructure revolves around resource development. And the investments in the enterprise infrastructure are supported—and need to be supported—by the revenues from resource development. So financing for a port development project could be structured using several scenarios, including a municipality or borough issues a bond for the public needs from the port; the military provides capital for a share of the port to be used by military vessels; and

AIDEA provides financing that is backed by revenue from resource developers.

In addition to its emphasis on enterprise infrastructure, AIDEA has established a six-factor model for evaluating resource development projects. Here's a brief explanation of each factor:

Operating Experience: The developer has a demonstrated background and history in successfully building and operating the type of project for which they are seeking financing from AIDEA.

Capital Contribution: The developer will invest funds in tandem with AIDEA for the construction of the project.

Plans and Designs: The developer has complete plans, designs, and specifications for the project they wish to develop.

Permits: The developer has the necessary permits for the project.

Purchase Contracts: The developer has access to key materials and equipment.

Sales Contracts: The developer has revenues under contract from credible entities.

Better Communication

Springsteen has noticed various trends relating to mining and natural resource development in Alaska. For example, there seems to be enhanced communication between communities and resource developers on making projects compatible with communities. "This kind of engagement helps create an environment of productive dialogue, and we support this trend," he says. "Developers are better able to address concerns of the communities and to find opportunities for the mutual benefit of the developers and the communities."

Additionally, Springsteen says, there is greater recognition by communities of the value of having an enterprise economic engine that provides much-needed local jobs, improves access to goods and services, and, most importantly, provides a tax base to help fund community sustainability (energy, water/wastewater, transportation infrastructure, and public facilities).

These positive trends serve to support AIDEA's overall mission in Alaska. "AIDEA is here for the benefit of Alaskans, and to the extent we can enhance the discussion between communities and developers, we will all, I think, achieve greater success," Springsteen says.

As a final thought, Springsteen says he feels Alaska is well positioned to determine how and when its resources are developed. "I think Alaska has a bright future," he says. "I look forward to AIDEA playing a greater role in this bright future." ⚙

Freelance writer Tracy Barbour is a former Alaskan.

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