

# Royalty Oil Deal Leader May Make \$1.8 Million

By KATHIE DIBELL  
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JUNEAU (AP) — The president of Alaskan Oil and Refinery Co., which holds a contract to buy state royalty oil, says he may make from \$600,000 to \$1.8 million on the sale of his firm to Tesoro Petroleum Corp.

Frank K. Cahoon also revealed to the Senate state affairs committee Saturday that the law firm of Sen. Ted Stevens, R-Alaska, was his state legal counsel, and he was negotiating with Carl Brady Jr. of Allen T. Archer Co. to handle the company's insurance. Brady is the son of a former state Republican senator from Anchorage.

The State Affairs Committee has conducted a lengthy investigation of the sale of the state royalty oil to Alaskan Oil for its planned \$18 million refinery north of Kenai. The committee contends the oil should have been sold at competitive bid, rather than negotiated privately by the administration.

Several committee members also have worried that the Alaskan Oil was only a "paper corporation" designed to get the state's royalty oil contract and then to be sold at a high profit.

Tesoro Petroleum agreed to purchase the Midland, Texas company shortly after the contract was signed, in return for 150,000 shares of Tesoro common stock July 15 and another 150,000 shares if the refinery meets certain production requirements.

Tesoro was selling for around \$37 a share last week.

Cahoon told the committee he had invested some \$550,000—much of it borrowed—in Alaska Oil. The firm was capitalized at \$2.5 million and he owned 22 percent of it, he said.

However, Cahoon cautioned the committee that Alaskan Oil amounted to more than just the \$2.5 million that was invested in it. The firm had let almost all its contracts for the refinery,

purchased the ground, and negotiated for the use of docks belonging to other oil companies on Cook Inlet.

If Tesoro had to build its own dock, he said, that alone would have cost \$12 million.

"What they bought was a going entity that was going to build a refinery," Cahoon said.

Sen. John Rader, D-Anchorage, asked why Tesoro would "give you \$5 million to \$10 million for a \$2.5 million corporation?"

Cahoon replied "you have to look and see what we did with \$2.5 million."

Sen. Edward A. Merdes, D-Fairbanks, asked why the state couldn't have negotiated directly with Tesoro since they actually were going to be the one building the refinery now.

"I don't think the state's position would have been drastically changed," Cahoon said. Tesoro would have only saved itself the loss of its stock had it started from scratch to build a refinery, rather than buying out Alaskan Oil.

Cahoon said he first met former Gov. Walter J. Hickel and Thomas E. Kelly, commissioner of natural resources, last summer when he approached them about buying the state oil.

Cahoon said he couldn't remember exactly who recommended the Stevens law firm or the insurance company. He thought it might have been representatives of Rowan Drilling Co., a Texas firm which bought out the elder Brady's helicopter service.

Cahoon said he felt that his company had been "wrong in not doing enough public relations in Alaska."

## Anchorage port extension will (finally) be reality



An extension to the Anchorage dock will jut out at left...

Anchorage's much-discussed and often-distressed port extension, after four years of planning, building and rebuilding, will apparently become a reality this year. The May bond sale conducted by the city provided the necessary \$1.2 million in matching funds for the \$1,185,000 EDA grant.

Following city council approval of the new plans, the Port Commission immediately instructed its contract engineering firm, Tippetts-Abbett-McCarthy-Stratton, to proceed with the final design, and to have it completed within 60 days.

Actually, most of the design work has already been completed for Terminal Number 2, but contract specifics and the final design of a connecting trestle to the new extension will be done at this time. It is estimated that TAMS will complete the work so it will be able to let to contract in less than the allowed 60 days.

So, if everything goes as planned, work will probably commence on the extension this fall and by next year the young Port of Anchorage will have 1,822 feet of usable dock space including the petroleum facility.

But for a city with a seaport name like Anchorage, the docking facilities were extremely limited

until seven years ago, when the new 600-foot Port of Anchorage dock and transit shed were completed. Prior to this time, all freight being unloaded went over the old Army dock or on private docks. The only other city dock was one built in the vicinity of Ship Creek in 1927 for a grand total of \$1,000 as the city's share. The new city

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dock shows a total investment of nearly \$14 million in city funds.

From the time the new port opened in 1961 until 1964 it appeared doubtful that the Port could or would meet all of its expenses. Then the Good Friday quake destroyed the ports of Seward and Whittier, leaving the Port of Anchorage with the only operable port in the area. Tonnage for 1964

showed a 400 per cent increase over the previous year.

Also in 1964, Sea-Land began the first scheduled service to the port. Since then, the shipper has made weekly freight service on a year-round basis, proving the feasibility of winter shipping into Anchorage.

This same year saw the construction of a temporary petroleum dock, built by the Corps of Engineers for \$441,531. In 1965, voters approved the sale of an additional \$1.7 million of general obligation bonds for the construction of a permanent petroleum facility. The present 612-foot petroleum terminal was completed in November of that year.

But troubles for the city began when it was first proposed to build a port extension. First plans called for only a 160-foot extension, and after design was completed and bids called for, the city rejected all proposals and planned for a 600-foot extension instead. The engineering firm of Lounsbury, Sleavin and Kelly was hired to design the extension and a contract was a-

warded to Swalling-General Construction Co. to build the \$2.5 million dock. By the time winter had halted construction operations in 1966, only 140 feet of the extension was completed. The following spring, the concrete piers in the new section were found to be severely damaged by ice and demolition was ordered. The situation was an unhappy one for the city—nearly \$2.5 million had been spent and there was no extension.

There was enough money left over, however, to allow the city to contract with TAMS for design of a 600-foot extension which could be built in sections or phases, depending upon available funds. A contract was awarded to Morrison-Knudsen Co. in the amount of \$1,339,500 for the first phase—271 feet. This section, with steel pilings, was completed last October.

The new extension will be of the

same design as Phase 1, steel pilings and pre-stressed concrete decking, but the addition of a north trestle will give added convenience of through traffic leaving the dock and will open up approximately 20 acres of industrial park for development. The trestle will tie onto an existing causeway that is spurred off Tidewater Road.

Port personnel decline to estimate the specific economic impact on the city as a result of the port extension, but they do cite past experience as guidelines. Specifically, today there are 498 jobs that exist in the Anchorage area as a direct result of the operation of the Port of Anchorage, that produce an estimated gross annual payroll of \$3,862,000. Also, the Consumer Price Index which compares consumer costs in Seattle and Anchorage, has decreased since the opening of the port. The index in 1960 was 127; in 1967 it had been reduced to 109.2. According to the Anchorage Overall Economic Development Plan, there would have been further reductions evident except that interest rates and taxes have risen the last four years.

Growth of the port activity is shown in the tonnage figures for the past eight years. They are: 1961, 38,259; 1962, 97,463; 1963, 196,410; 1964, 828,590; 1965, 922,208; 1966, 1,106,485; 1967, 1,344,507; and 1968, 1,193,379. Modern transportation equipment and techniques put in service by Sea-Land in 1964 and since, coupled with modern handling facilities installed at the Port of Anchorage, have contributed to the lower transportation costs. Another contributing factor has been the larger shipments being handled. For example, in 1964 the Seattle-Anchorage rate for frozen meats by Sea-Land through the Port of Anchorage was \$6.00 with a 20,000 lb. minimum. In 1969 most shipments met the 99,000 lb. minimum and move for \$2.90 per hundred.

Benefits received by lowering cost of merchandise affects not only the city, but also many points in the interior where goods are distributed via rail or truck from Anchorage. More and more cargo arriving through the Port of Anchorage is being trans-shipped via air to towns and villages of northwestern Alaska as well.

Despite the obvious financial success of the city's port, the Port Commission recently expressed fear that huge quantities of building materials for the North Slope pipeline would be diverted to other ports, because the extension will not

be completed this year. As it stands now, Sea-Land holds preferential berthing privileges at the municipal terminal, and it was reported that the Japanese pipe supplier, Sumitomo Metal Industries Ltd., would anticipate expensive waiting periods while Sea-Land is unloaded.

However, Assistant Port Director Edwin Davis said that stevedores have assured him that the pipe could be discharged in three days by accurate scheduling. If so, the port could handle all of the pipe that is destined for railbelt shipments—some 48 shiploads. Sea-Land docks every five to five and one-half days, Davis said, and is unloaded in two days time.

Storage of the pipe would not be a problem either, according to Davis, because the Port Commission has two lots in the industrial park reserved for this anticipated use. Estimates have been made that the wharfage fees alone would exceed \$1 million for the pipeline materials. □

## LETTERS

### The Other Side Of The Dock

Dear Editor:

Regarding the answer to your editorial of Aug. 19 (on the removal of the old railroad dock) from John Manley, general manager of the Alaska Railroad:

Mr. Manley and I have something in common in that this is the first letter I, too, have ever written to a newspaper editor stating the facts as I know them. Manley's statement on the subject of the Ocean Dock being available for public use does not agree with my experience with the operation of this dock during the time I was Alaska agent for Capt. Heinie Berger of the Berger Distributing Co. Hence this letter.

I assumed the position as Capt. Berger's agent with an office on Fourth Avenue in 1933. Berger had been bringing freight into Anchorage for several years before this and I had known him since 1929. I remained the agent until the late fall of 1938, at which time the late Maurice Andresen took over the duties of this office. In view of this association with the Berger Distributing Co. I will state my experienced at that time and the headaches I had over the said dock.

The Berger Co. used the dock until 1930. After that time they were denied access to the dock by Col. Ohlson, who was then general manager of the Alaska Railroad. Because of this action the Berger boats were forced to unload by barge on the mud flats at the mouth of Ship Creek or at Soeneke's and Emdar's Cannery Docks when space was available.

We had two new boats by 1933, the M.C. Discoverer No. 2 and the M. S. Kasilof. We could take the Kasilof up Ship Creek at high tide to the small city dock which no longer exists. The Kasilof was under contract to carry mail to all Cook Inlet points, so we had no trouble there. However, with the Discoverer arriving once a month for eight months of the year with freight and perishables aboard from Seattle, it was another story.

The spring of 1934 with heavy ice conditions in Ship Creek I asked for permission to use the Ocean Dock and was advised by Col. Ohlson we would be charged \$1.50 per ton for dockage and wharfage. This I refused to pay as being too high, so we proceeded to unload on the ice at the mouth of Ship Creek. The next thing we knew there were a string of railroad flat cars across the crossing to the city dock, which was the only access road for trucks to reach the freight. Due to this action by the Alaska Railroad we lost our shipment of perishables, including a ton of watermelon consigned to the late Lucky Baldwin Grocery.

After this action by the Alaska Railroad we placed the matter in the hands of a Seattle attorney. An injunction was issued against the Alaska Railroad. The flat cars blocked the access road once again that summer in spite of the court order, but fortunately we were able to unload at Emdar's dock.

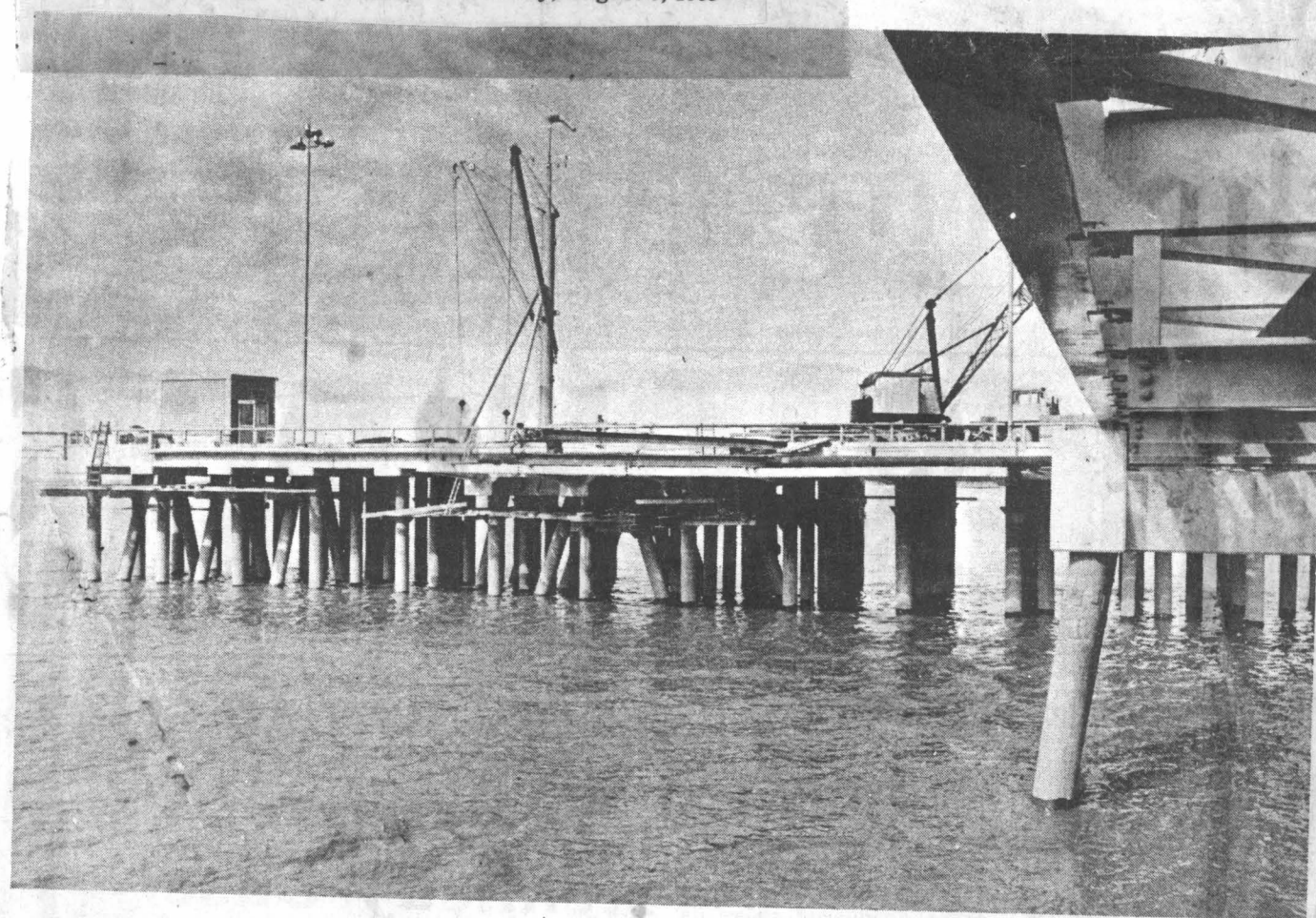
The following spring, 1935, the 10th of April, to be exact, I called on Col. Ohlson at his office and agreed to pay \$1.25 per ton for docking and wharfage. By this time there was bad personal feeling between Col. Ohlson and Capt. Berger which, in fact, had become a personal issue to each of them. My main interest was getting the freight unloaded and the deliveries made. This was the only time, if I remember correctly, we paid the Alaska Railroad for use of the Ocean Dock.

I hope I have given Mr. Manley some proof the Ocean Dock through the years mentioned was strictly railroad property and taboo to free enterprise and the people of Anchorage. Anyone who used it was forced to pay under duress.

In closing I would like to say the late Capt. Berger was a real frontier builder during his years in Alaska and on Cook's Inlet. He always had a helping hand for everyone and is to be remembered especially for the courage he displayed in fighting alone for free enterprise and the rights of the individual.

I shall always believe he was in the right in this issue with a department of the federal government. I know, I was there!

Christopher Terry  
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### DAMAGED PETROLEUM DOCK OPEN AGAIN

The petroleum dock at the Port of Anchorage, damaged late last fall when an oil tanker rammed into it, has been completely repaired. All that remains are the concrete forms, which are already coming down, and final

cleanup of the area, according to Port Director Russ Painter. The cost to the city, recoverable from insurance, to repair the crack caused by the accident is about \$112,000.