

Shipping rates could rise 12 percent

ALASKA INDUSTRY APRIL 1981

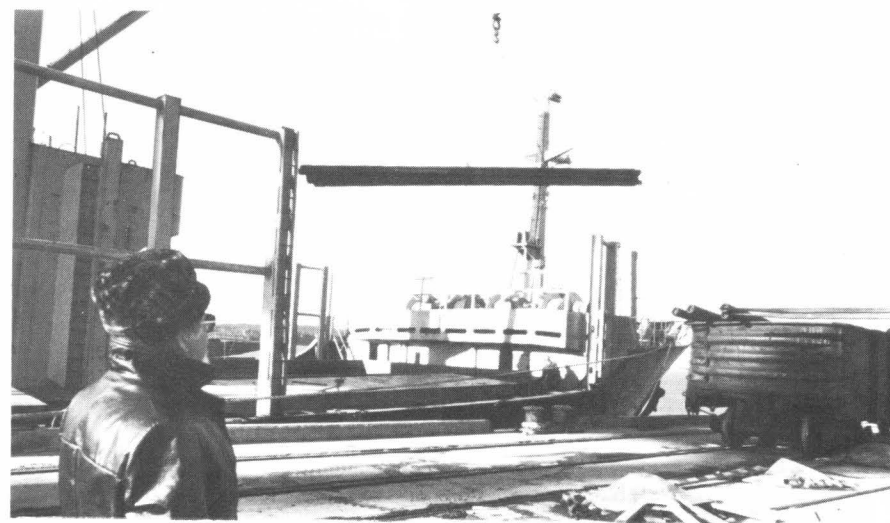
Boom taxing state's maritime system

A resurging construction industry and huge shipments of oilfield goods are expected to generate a freight boom which will plug Alaska's marine transportation system for at least a part of this summer season.

The situation could be aggravated by a drastic cut in the state ferry service that will extend at least through June but transportation company officials say the effects have not yet become clear. Ships of both Totem Ocean Trailer Express and Sea-Land are expected to run full for most of the remainder of this year.

Sea-Land has cancelled much of its Alaska advertising program and TOTE is considering addition of another ship to meet growing demand for service.

Tom Berry, Alaska sales manager for TOTE, said their two trailer van ships are expected to run at capacity for about six months. Addition of a third (identical) vessel is under serious consideration. But the addition will be a permanent one, Berry explained, and present company projections are that a



Casing for North Slope wells is unloaded at the port of Anchorage under the watchful eyes of Ken Brovald, Sohio Alaska transportation supervisor. Oil-field and construction materials are expected to flow into Alaska this summer at a rate which will tax the shipping system to its limits.

sufficient level of volume won't be reached until 1982.

If a decision is made to expand service, it will probably take up to six months to fit out the vessel on the East Coast and move it through the Panama Canal to Alaska.

Among the barge transportation firms, Pacific Western Lines has already decided to add equipment and more than double its seasonal service to Yakutat, Valdez and Anchorage this year.

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Protest expected locally

by Bill Blessington
Times Writer

Alaska's two major oceangoing cargo carriers are seeking 12 percent rate hikes that will increase shipping costs to Alaska on everything from a dozen eggs to a shipload of oil field supplies.

Sea-Land Service Inc. and Totem Ocean Trailer Express have asked the Interstate Commerce Commission to approve a two-stage rate increase.

The first step is a 1 1/2 percent fuel surcharge by container ship firms followed by a 10 percent general rate increase, according to sources with Sea-land, Tote and Alaska Hydrotrain. The fuel surcharge doesn't need approval by the Interstate Commerce Commission, but the general rate increase does.

Between them, those three firms handle almost 100 percent of the goods shipped from the Lower 48 into Alaska.

Although Hydrotrain officials have not yet applied for a rate increase, they say it is just a matter of time.

The increased shipping rates will be reflected first at the wholesale level and eventually on almost all consumer goods sold in the state. The rate hikes will also effect the price of a new home since construction materials from cement to plywood are shipped in by sea from Seattle.

Almost as quickly as the rate increase requests were made public today, a protest by customers of the shipping firms began to take shape.

Furniture retailer Jerry Nerland, who spearheaded a protest of last June's 9.5 percent Sea-Land increase, said this morning that shippers are doing well but Alaskan consumers must again pick up the tab for their attempts to show a profit for parent companies.

"They've determined they want to show a good profit for their parent company, as usual the consumer has to pay for it and we have to show

it in the price of our merchandise," said Nerland.

Nerland is a member of the Washington-Oregon Shippers Cooperative. That organization, he said, will be asked to consider filing a formal protest of the rate increases with the Interstate Commerce Commission.

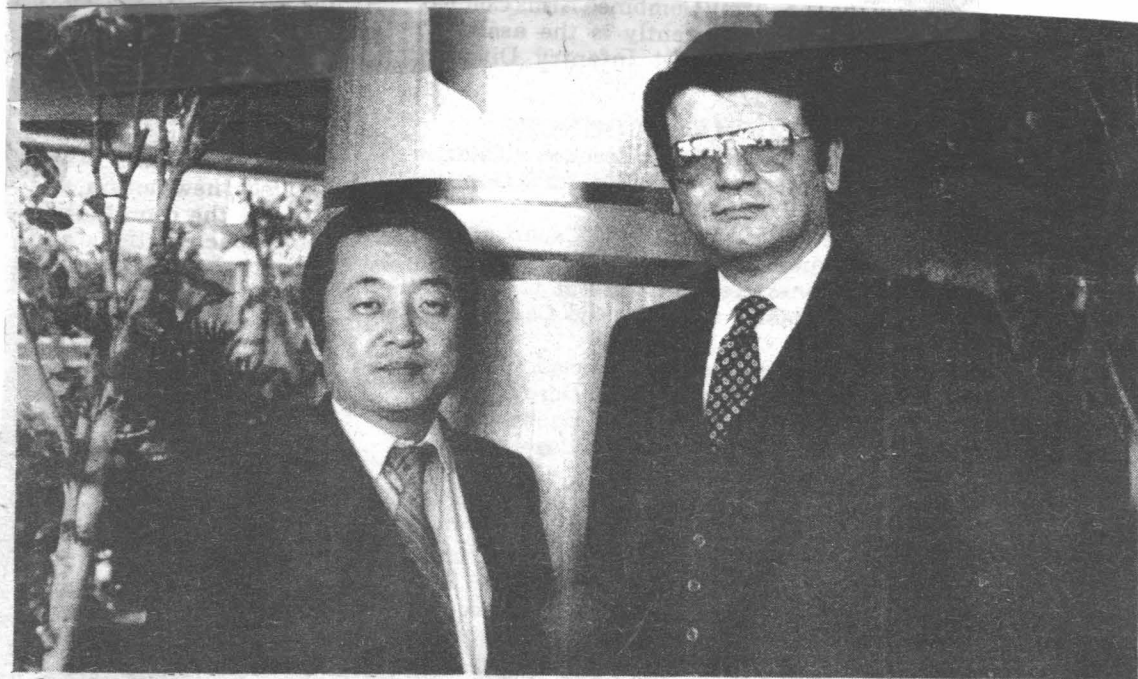
"We've constantly looked for ways to keep freight rates down," said Nerland. He did not dispute the fuel surcharges, however, "I can't fault them for that if they can't

stantiate their fuel costs are higher," he explained.

Bob Penney, president of the Greater Anchorage Chamber of Commerce, said that "unless those rate increases are warranted they probably shouldn't be allowed."

"However," he was quick to add, "I'm also keenly aware of the continual need to replace operating equipment by freight carriers and in these days of 18 to 20 percent interest they've got to have a return on their investment or they just can't operate."

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Suneel Alaska Corp. executive vice president Tai Kyung Kim was in Alaska last week with vice president William Noll to discuss the company's proposed export of Alaska coal. AJC STAFF PHOTO

Suneel eyes AK coal

By Bert Tarrant

Suneel Alaska Corp., headquartered in Korea, says its efforts to tap Alaska subbituminous coal for use in that Far East country offers the best of both worlds...in more ways than one.

Suneel executive vice president Tai Kyung Kim was in Alaska last week, with the firm's Anchorage office vice president William C. Noll, to meet with state and local officials concerning the company's interest in shipping 800,000 tons of the coal a year, initially, to Korea.

The system would see coal mined from Usibelli Coal Mine's holdings near Fairbanks shipped via the Alaska Railroad to a deep water port with coal loading facilities for transshipment east. Usibelli currently produces about 750,000 tons annually, largely used for power generation and utility use in the Interior.

There are no boilers or furnaces in Korea currently equipped to burn the low BTU (8,000 per lb.), high moisture (25-28 percent) Alaska coal. But that offers no deterrent to Suneel because the firm currently is testing a mixture of Alaska coal and petroleum coke, which is usable.

Both products are available in Alaska.

Petroleum coke is literally the bottom of the barrel in the oil refining business. After the petroleum has been refined for gas, jet fuel, diesel, naptha, etc., a hard, granular residue is left—petroleum coke.

But the coke, with high BTU content (14,000 per lb.) and low moisture (2-4 percent) dovetails nicely with Alaska coal. Also, the coke, relatively high in sulphur content, meshes well with

the low sulphur content (3-3.5 percent) of Usibelli coal.

"Petroleum coke involves a technology which is very old and well proven," says Kim. "Blending the two is a simple task of two conveyor belts, one for each, loading the ship."

Tests currently are under way in Korea by Korea Electric Co. and the cement manufacturing firm of SSang Yong, mixing Alaska coal in ever increasing amounts to find the are several plants which will be designed to run solely on the Alaska coal.

Depending on a bulk loading facility (there is none in the

state), Suneel would like to begin shipping coal out of Alaska late this year or early next spring.

"We have received strong support and excellent response from (Joe) Usibelli, the railroad, port and municipality of Anchorage," Noll said. "Our test effort of last year went very well and we are confident this is the start of a good, productive relationship between Alaska and Korea."

That confidence is strong enough to see Kim making plans to move himself and his family to Anchorage this fall

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continued from Page 1 to take up residence.

"I see a great challenge in Alaska," Kim said. "Alaskans may be satisfied now with the revenue coming from Prudhoe Bay. But they realize the state must diversify—Prudhoe will not last forever."

Kim, given the extensive coal deposits in the state (estimates vary from 3 to 6 trillion tons) and closeness to Korea when compared to the U.S. West Coast or interior or Australia, sees coal exports as a big part in that economic diversification.

Actually the closeness to Korea advantage of Alaska is pretty well matched by the disadvantages the state has in terms of higher union wages and the lower coal BTU content. But it's still worth the effort.

In the first place, the Alaska Railroad is equipped to haul the mineral to tidewater at a reasonable cost which can't necessarily be said of tapping Colorado or New Mexico coal.

Second, with a bit of pride showing, Kim and his firm would like to be in the forefront of helping tap a resource that is so far untouched by the Japanese. "We feel we are pioneers in this respect," he said. "And we have been accepted and treated very well by Alaskans."

Suneel Alaska Corp. is a subsidiary of Sun Eel Shipping Co., a major worldwide shipper. "We saw the decline in general cargo and oil tankers and realized we needed a constant cargo," Kim said. "Coal from Alaska is an excellent response to the world shipping market."

Kim's background reads like a novel. From junior college education at Ricks College in Rexford, Idaho, he finished his schooling at Bonn University, Germany, and returned to Korea for several years as a professor at Korea's National University.

He was then dispatched for four years as economic attaché at the Korean Embassy in Germany where he built a reputation for bettering economic ties between the two countries.

After two years in El Salvador he was back in Korea as senior vice president of a government newspaper before forming his own company, Korea Techno Venture, a logistics firm to which he still is able to devote about 10 percent of his efforts.

His involvement in Suneel comes as a result of a J/V with Tai Il Kim (no relation), president of Sun Eel Shipping Co. "Between Korea's need for energy, Alaska's abundance and the state's desire to value-add in state, we feel we have

the basis for a good relationship."

Noll came to Alaska with the U.S. Army in 1968 in operations and logistics after tours in France and Viet Nam. He liked it well enough to resign his commission in order to stay and build a strong background in commercial and industrial real estate.

"I was vacationing in Hawaii and happened to become interested in that state's Pacific Rim studies department," Noll says, "and I was struck by what was an obvious course for Alaska's future—playing a major part in the Pacific Rim nations and their development."

Tuesday, June 23, 1981, The Anchorage Times

Boat harbor hearing draws mostly supportive audience

by Deb David
Times Writer

Ten people supported and one person opposed construction of a small boat harbor at a public hearing here Monday.

The municipality-sponsored hearing was conducted by Tetra Tech, a local engineering firm which is studying the demand for such a facility. Tetra Tech's study will be given to municipal officials who are considering developing a small boat harbor at the confluence of Ship Creek and Cook Inlet.

City planners have been knocking around the question of whether to build a boat harbor here since 1944. Tetra Tech representatives say preliminary studies indicate a demand for a small boat harbor.

At least 10 of about 50 persons at Monday night's public hearing echoed that response, without all the engineers' technical data and expensive studies backing them up. They were commercial and sport fishermen and entrepreneurs.

But one person, a boater who says he has traveled the world's oceans, said he has some reservations.

Jerry George says Cook Inlet is one of the most hazardous waterways in the world, turbulent and inhospitable with its tidal bores and currents.

"I am fully aware of the benefits of a small boat harbor for commercial purposes," he said, "but as for recreational uses, the city is encouraging a severe safety hazard."

"Commercial fishermen may be qualified to handle a boat in Cook Inlet. Their livelihoods depend on it. But a weekenders doesn't have such expertise," he said.

"If every Tom, Dick and Harry who can afford a 5-horsepower motor at Pay 'N Pak is out there, someone is going to get hurt. A lot of people are going to get killed."

Others brushed off George's concern. "The danger is compounded because there is no harbor there," one pleasure boater said. "To say that there are no responsible pleasure boaters is a little bit ridiculous," responded another.

Guido Zemgals, project manager for Tetra Tech, said "there definitely is a need for a small boat harbor in Anchorage."

"It would be commercially viable, an asset to commercial fishermen and an attractive feature of the city for tourists."

His firm envisions a marina with 200 slips for commercial and pleasure boats and auxiliary services like boat repair stations, supply stores, dry boat storage areas, launching facilities, restaurants and hotels.

These, Zemgals lined up on the positive side.

The negative aspects of a Ship Creek harbor include the Inlet's extreme tidal ranges, its extensive mud flats and shoals, its rough seas due to strong winds and its high turbidity and suspended sedimentation.

When asked about the cost of the proposed marina, Zemgals said "the numbers are very large." When pressed for an answer, he said it would take at least \$50 million and probably more.

Commercial fishermen at the public hearing said they would like to see the harbor built. Most of them live in Anchorage but use docks at Homer, Seward, Whittier, Cordova, Valdez or Kenai.

"A large percentage of the commercial fishermen in Alaska are from Anchorage," one fisherman said. "They all have their boats parked somewhere or trailered up in their backyards."

"Most would like to have them here, so they could come in on weekends to work on them and stay here. We would pack that harbor. This

commercial demand you have here is extremely low."

Tetra Tech projects that 11 commercial fishermen would have used the harbor in 1980. By 2030, the firm says the demand would jump to 25.

Sport fishermen and pleasure boaters, who come and go more frequently than commercial fishermen, are expected to provide the main demand. Researchers predict a 1980 demand of 150 boats and a 2030 demand of 780.

Besides the convenience fishermen say an Anchorage marina would offer, one seafood processor says it would be an economic boon to the industry.

"There are six processors in Anchorage," the processor said. "Now you have all these fish being flown in from Bristol Bay. If the boats could come in here, they would get more money for their fish (by eliminating air hauling costs)."

"There is a very real need for commercial fishermen to be able to come in here."

Currently, Ship Creek is only used at high tide. Otherwise, it is a mud bowl where in 1980 nine small crafts were bogged down and had to be rescued.

While the municipality continues to study the prospects of a small boat harbor (loosely defined by the state as a facility for boats less than 100 feet long), Duane Henson of York Steel says he will proceed with his plans to develop the site himself.

He has a lease from Alaska Railroad, a dredging permit from the U.S. Army Corps of Engineers and funding from the Alaska Legislature.